# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, D.C. 20549**

# FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For The Fiscal Year Ended December 31, 2019**

**Or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Transition Period from to**

**Commission file number - 001-37827**

# Triton International Limited
(Exact name of registrant as specified in the charter)

| **Bermuda** | **98-1276572** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |

**Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda**
(Address of principal executive office)

**(441) 294-8033**
(Registrant's telephone number including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common shares, $0.01 par value per share | TRTN | New York Stock Exchange |
| 8.50% Series A Cumulative Redeemable Perpetual Preference Shares | TRTN PRA | New York Stock Exchange |
| 8.00% Series B Cumulative Redeemable Perpetual Preference Shares | TRTN PRB | New York Stock Exchange |
| 7.375% Series C Cumulative Redeemable Perpetual Preference Shares | TRTN PRC | New York Stock Exchange |
| 6.875% Series D Cumulative Redeemable Perpetual Preference Shares | TRTN PRD | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large Accelerated Filer | ☒ | Accelerated Filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of voting common shares held by non-affiliates as of June 28, 2019 was approximately $1,764.8 million. As of February 7, 2020, there were 72,102,416 common shares, $0.01 par value, of the Registrant outstanding.

## DOCUMENTS INCORPORATED BY REFERENCE

| Part of Form 10-K | Document Incorporated by Reference |
|---|---|
| Part III, Items 10, 11, 12, 13, and 14 | Portion of the Registrant's proxy statement to be filed in connection with the Annual Meeting of Shareholders of the Registrant to be held on April 21, 2020. |

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, that involve substantial risks and uncertainties. In addition, we, or our executive officers on our behalf, may from time to time make forward-looking statements in reports and other documents we file with the Securities and Exchange Commission, or SEC, or in connection with oral statements made to the press, potential investors or others. All statements other than statements of historical facts, including statements regarding our strategy, future operations, future financial position, future revenues, future costs, prospects, plans and objectives of management are forward-looking statements. The words "expect," "estimate," "anticipate," "predict," "believe," "think," "plan," "will," "should," "intend," "seek," "potential" and similar expressions and variations are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

All forward-looking statements address matters that involve risks and uncertainties, many of which are beyond Triton's control. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in such statements and, therefore, you should not place undue reliance on any such statements. These factors include, without limitation, economic, business, competitive, market and regulatory conditions and the following:

- decreases in the demand for leased containers;
- decreases in market leasing rates for containers;
- difficulties in re-leasing containers after their initial fixed-term leases;
- customers' decisions to buy rather than lease containers;
- dependence on a limited number of customers for a substantial portion of our revenues;
- customer defaults;
- decreases in the selling prices of used containers;
- extensive competition in the container leasing industry;
- difficulties stemming from the international nature of Triton's businesses;
- decreases in demand for international trade;
- disruption to Triton's operations resulting from political and economic policies of the United States and other countries, particularly China, including but not limited to, the impact of trade wars and tariffs;
- disruption to Triton's operations from failure of, or attacks on, Triton's information technology systems;
- disruption to Triton's operations as a result of natural disasters;
- compliance with laws and regulations related to economic and trade sanctions, security, anti-terrorism, environmental protection and corruption;
- ability to obtain sufficient capital to support growth;
- restrictions imposed by the terms of Triton's debt agreements;
- the phase-out of the London Interbank Offered Rate (LIBOR), or the replacement of LIBOR with an alternative reference rate, which may adversely affect interest rates;
- changes in the tax laws in Bermuda, the United States and other countries; and
- other risks and uncertainties, including those listed under the caption "Risk Factors."

The foregoing list of important factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included herein and elsewhere, including the risk factors included in this annual report on Form 10-K. Any forward-looking statements made in this annual report on Form 10-K are qualified in their entirety by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Triton or its businesses or operations. Except to the extent required by applicable law, we undertake no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

## WEBSITE ACCESS TO COMPANY'S REPORTS AND CODE OF ETHICS

Our Internet website address is http://www.trtn.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC.

We have adopted a code of ethics that applies to all of our employees, officers, and directors, including our principal executive officer and principal financial officer. The text of our code of ethics is posted within the Corporate Governance portion of the Investors section of our website.

Also, copies of our annual report and Code of Ethics will be made available, free of charge, upon written request to:

Triton International Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10, Bermuda
Attn: Carla Heiss, Sr. Vice President, General Counsel and Secretary
Telephone: (441) 294-8033

**SERVICE MARKS MATTERS**

The following items referred to in this annual report are registered or unregistered service marks in the United States and/or foreign jurisdictions pursuant to applicable intellectual property laws and are the property of Triton and its subsidiaries: Triton®, TAL®, and ®.

## PART I

## ITEM 1. BUSINESS

### Our Company

Triton International Limited ("Triton", "we", "our" or the "Company") is the world's largest lessor of intermodal containers. Intermodal containers are large, standardized steel boxes used to transport freight by ship, rail or truck. Because of the handling efficiencies they provide, intermodal containers are the primary means by which many goods and materials are shipped internationally. We also lease chassis, which are used for the transportation of containers.

Triton was formed on July 12, 2016 through an all-stock merger (the "Merger") between Triton Container International Limited ("TCIL") and TAL International Group, Inc ("TAL"). Our combined experience in the container leasing industry dates back to 1963.

Our operations include the acquisition, leasing, re-leasing and subsequent sale of multiple types of intermodal containers and chassis. As of December 31, 2019, our total fleet consisted of 3.6 million containers and chassis, representing 6.1 million twenty-foot equivalent units ("TEU") or 6.9 million cost equivalent units ("CEU"). We have an extensive global presence offering leasing services through local offices and utilize third-party container depots throughout the world. Our primary customers include the world's largest container shipping lines. Our global field operations include sales, operations, equipment resale, and logistics services. Our registered office is located in Bermuda.

The most important driver of our profitability is the extent to which leasing revenues, which are driven by our owned equipment fleet size, utilization and average rental rates, exceed our ownership and operating costs. Our profitability is also driven by the gains or losses we realize on the sale of used containers in the ordinary course of our business.

### Industry Overview

Intermodal containers provide a secure and cost-effective method of transporting raw materials, component parts and finished goods because they can be used in multiple modes of transport. By making it possible to move cargo from a point of origin to a final destination without repeated unpacking and repacking, containers reduce freight and labor costs. In addition, automated handling of containers permits faster loading and unloading of vessels, more efficient utilization of transportation equipment and reduced transit time. The protection provided by sealed containers also reduces cargo damage and the loss and theft of goods during shipment.

Over the last thirty years, containerized trade has grown at a rate greater than that of general worldwide economic growth. According to Clarkson Research Studies, worldwide containerized cargo volume increased at a compound annual growth rate ("CAGR") of 8.0% from 1989 to 2019. We believe that this high historical growth was due to several factors, including the shift in global manufacturing capacity to lower labor cost areas such as China and India, the continued integration of developing high growth economies into global trade patterns and the continued conversion of cargo from bulk shipping into containers. However, worldwide containerized cargo volume growth has been lower over the last few years, averaging 5.0% CAGR from 2014 to 2019, due to weak global economic growth and a significant reduction in the difference between global trade growth and global economic growth.

Container leasing firms maintain inventories of new and used containers in a wide range of worldwide locations and supply these containers primarily to shipping line customers under a variety of short and long-term lease structures. Based on container fleet information reported by Drewry Maritime Research, we estimate that container lessors owned approximately 22.1 million TEU, or approximately 53% of the total worldwide container fleet of 42.2 million TEU, as of the end of 2019.

Leasing containers helps shipping lines improve their container fleet efficiency and provides shipping lines with an alternative source of equipment financing. Given the uncertainty and variability of export volumes, and the fact that shipping lines have difficulty in accurately forecasting their container requirements on a day-by-day, port-by-port basis, the availability of containers for lease on short notice reduces shipping lines' need to purchase and maintain larger container inventory buffers. In addition, the drop-off flexibility provided by operating leases also allows the shipping lines to adjust their container fleet sizes and the mix of container types in their fleets both seasonally and over time and helps them balance their trade flows.

Spot leasing rates are typically a function of, among other things, new equipment prices (which are heavily influenced by steel prices), interest rates and the equipment supply and demand balance at a particular time and location. Average leasing rates on an entire portfolio of leases respond more gradually to changes in new equipment prices or changes in the balance of container supply and demand because lease agreements are generally only re-priced upon the expiration of the lease. In addition, the value that lessors receive upon resale of equipment is closely related to the cost of new equipment.

***Our Equipment***

Intermodal containers are designed to meet a number of criteria outlined by the International Standards Organization (ISO). The standard criteria include the size of the container and the gross weight rating of the container. This standardization ensures that containers can be used by the widest possible number of transporters and it facilitates container and vessel sharing by the shipping lines. The standardization of the container is also an important element of the container leasing business since we can operate one fleet of containers that can be used by all of our major customers.

Our fleet primarily consists of five types of equipment:

- *Dry Containers.* A dry container is a steel constructed box with a set of doors on one end. Dry containers come in lengths of 20, 40 or 45 feet. They are 8 feet wide, and either 8½ or 9½ feet tall. Dry containers are the least expensive and most widely used type of intermodal container and are used to carry general cargo such as manufactured component parts, consumer staples, electronics and apparel.
- *Refrigerated Containers.* Refrigerated containers include an integrated cooling machine and an insulated container. Refrigerated containers come in lengths of 20 or 40 feet. They are 8 feet wide, and are either 8½ or 9½ feet tall. These containers are typically used to carry perishable cargo such as fresh and frozen produce.
- *Special Containers.* Most of our special containers are open top and flat rack containers. Open top containers come in similar sizes as dry containers, but do not have a fixed roof. Flat rack containers come in varying sizes and are steel platforms with folding ends and no fixed sides. Open top and flat rack containers are generally used to move heavy or bulky cargos, such as marble slabs, steel coils or factory components, that cannot be easily loaded on a fork lift through the doors of a standard container.
- *Tank Containers.* Tank containers are stainless steel cylindrical tanks enclosed in rectangular steel frames with the same outside dimensions as 20 foot dry containers. These containers carry bulk liquids such as chemicals.
- *Chassis.* An intermodal chassis is a rectangular, wheeled steel frame, generally 23½, 40 or 45 feet in length, built specifically for the purpose of transporting intermodal containers over the road. Longer sized chassis, designed to solely accommodate rail containers, can be up to 53 feet in length. When mounted on a chassis, the container may be trucked either to its destination or to a railroad terminal for loading onto a rail car. Our chassis are primarily used in the United States.

***Our Leases***

Most of our revenues are derived from leasing our equipment to our core shipping line customers. The majority of our leases are structured as operating leases, though we also provide customers with finance leases. Regardless of the lease type, we seek to exceed our targeted return on our investments over the life cycle of the equipment by managing utilization, lease rates, and the used equipment sale process.

Our lease products provide numerous operational and financial benefits to our shipping line customers. These benefits include:

- *Operating Flexibility.* The timing, location and daily volume of cargo movements for a shipping line are often unpredictable. Leasing containers and chassis helps our customers manage this uncertainty and minimizes the requirement for large inventory buffers by allowing them to pick-up leased equipment on short notice.
- *Fleet Size and Mix Flexibility.* The drop-off flexibility included in container and chassis operating leases allows our customers to more quickly adjust the size of their fleets and the mix of container types in their fleets as their trade volumes and patterns change due to seasonality, market changes or changes in company strategies.
- *Alternative Source of Financing.* Container and chassis leases provide an additional source of equipment financing to help our customers manage the high level of investment required to maintain pace with the growth of the asset intensive container shipping industry.

*Operating Leases.* Operating leases are structured to allow customers flexibility to pick-up equipment on short notice and to drop-off equipment prior to the end of its useful life. Because of this flexibility, most of our containers and chassis will go through several pick-up and drop-off cycles. Our operating lease contracts specify a per diem rate for equipment on-hire, where and when such equipment can be returned, how the customer will be charged for damage and the charge for lost or destroyed equipment, among other things.

We categorize our operating leases as either long-term leases or service leases. Some leases have contractual terms that have features reflective of both long-term and service leases. We classify such leases as either long-term or service leases, depending upon which features we believe are predominant. Long-term leases typically have initial contractual terms ranging from three to eight years. Our long-term leases require our customers to maintain specific units on-hire for the duration of the lease term, and they provide us with predictable recurring cash flow. As of December 31, 2019, 69.5% of our on-hire containers and chassis were under long-term operating leases.

We also have expired long-term leases whose fixed terms have ended but for which the related units remain on-hire and for which we continue to receive rental payments pursuant to the terms of the initial contract. As of December 31, 2019, 15.9% of our on-hire containers and chassis were on long-term leases whose fixed terms have expired but for which the related units remain on-hire and for which we continue to receive rental payments.

Service leases allow our customers to pick-up and drop-off equipment during the term of the lease, subject to contractual limitations. Service leases provide the customer with a higher level of flexibility than long-term leases and, as a result, typically carry a higher per diem rate. The terms of our service leases can range from 12 months to five years, though because equipment can be returned during the term of a service lease and since service leases are generally renewed or modified and extended upon expiration, lease term does not dictate expected on-hire time for our equipment on service leases. As of December 31, 2019, 7.8% of our on-hire containers and chassis were under service leases and this equipment has been on-hire for an average of 27 months.

*Finance Leases.* Finance leases provide our customers with an alternative method to finance their equipment acquisitions. Finance leases are generally structured for specific quantities of equipment, generally require the customer to keep the equipment on-hire for its remaining useful life, and typically provide the customer with a purchase option at the end of the lease term. As of December 31, 2019, approximately 6.8% of our on-hire containers and chassis were under finance leases.

The following table provides a summary of our equipment lease portfolio by lease type, based on cost equivalent units (CEU), as of December 31, 2019:

| **Lease Portfolio** | **December 31, 2019** |
|---|---|
| Long-term leases | 69.5% |
| Finance leases | 6.8 |
| Service leases | 7.8 |
| Expired long-term leases (units on-hire) | 15.9 |
| Total | 100.0% |

As of December 31, 2019, our long-term and finance leases had an average remaining duration of 48 months, assuming no leases are renewed. However, we believe that many of our customers will renew operating leases for equipment that is less than sale age at the expiration of the lease. In addition, our equipment on operating leases typically remains on-hire at the contractual per diem rate for an additional six to twelve months beyond the end of the contractual lease term due to the logistical requirements in our leases that require our customers to return the containers and chassis to specific drop-off locations.

***Logistics Management, Re-leasing, Depot Management and Equipment Disposals***

We believe that managing the period after our equipment's first lease is the most important aspect of our business. Successful management of this period requires disciplined logistics management, extensive re-lease capability, careful cost control and effective sales of used equipment.

*Logistics Management.* Since the late 1990's, the shipping industry has been characterized by large regional trade imbalances, with loaded containers generally flowing from export oriented economies in Asia to North America and Western Europe. Because of these trade imbalances, shipping lines have an incentive to return leased containers in North America and Europe to reduce the cost of empty container backhaul. Triton attempts to mitigate the risk of these unbalanced trade flows by maintaining a large portion of our fleet on long-term and finance leases and by contractually restricting the ability of our customers to return containers outside of Asian demand locations.

In addition, we attempt to minimize the costs of any container imbalances by finding local users in surplus locations and by moving empty containers as inexpensively as possible. While we believe we manage our logistics risks and costs effectively, logistical risk remains an important element of our business due to competitive pressures, changing trade patterns and other market factors and uncertainties.

*Re-leasing.* Since our operating leases allow customers to return containers and chassis prior to the end of their useful lives, we typically place containers and chassis on several leases during their useful lives. Initial lease transactions for new containers and chassis can usually be generated with a limited sales and customer service infrastructure because initial leases for new containers and chassis typically cover large volumes of units and are fairly standardized transactions. Used equipment, on the other hand, is typically leased out in small transactions that are structured to accommodate pick-ups and returns in a variety of locations. As a result, leasing companies benefit from having an extensive global marketing and operations infrastructure, a large number of customers, and a high level of operating contact with these customers.

*Depot Management.* As of December 31, 2019, we managed our equipment fleet through 410 third-party owned and operated depot facilities located in 44 countries. Depot facilities are generally responsible for repairing our containers and chassis when they are returned by lessees and for storing the equipment while it is off-hire. We have a global operations group that is responsible for managing our depot contracts and they also regularly visit the depot facilities to conduct inventory and repair audits. We also supplement our internal operations group with the use of independent inspection agents.

Our leases are generally structured so that the lessee is responsible for the customer damage portion of the repair costs, and customers are billed for damages at the time the equipment is returned. We sometimes offer our customers a repair service program whereby we, for an additional payment by the lessee (in the form of a higher per-diem rate or a flat fee at off-hire), assume financial responsibility for all or a portion of the cost of repairs upon return of the equipment.

*Equipment Disposals.* Our in-house equipment sales group has a worldwide team of specialists that manage the sale process for our used containers and chassis from our lease fleet. We generally sell to portable storage companies, freight forwarders (who often use the containers for one-way trips) and other purchasers of used containers. We believe we are one of the world's largest sellers of used containers.

The sale prices we receive for our used containers are influenced by many factors, including the level of demand for used containers compared to the number of used containers available for disposal in a particular location, the cost of new containers, and the level of damage on the containers. While our total revenue is primarily made up of leasing revenues, gains or losses on the sale of used containers can have a significant positive or negative impact on our profitability.

*Equipment Trading.* We also buy and sell new and used containers and chassis acquired from third parties. We typically purchase our equipment trading fleet from our shipping line customers or other sellers of used or new equipment. Trading margins are dependent on the volume of units purchased and resold, selling prices, costs paid for equipment sold and selling and administrative costs.

**Customers**

Our customers are mainly international shipping lines, though we also lease containers to freight forwarding companies and manufacturers. We believe that we have strong, long-standing relationships with our largest customers, most of whom we have done business with for more than 30 years. Our twenty largest customers account for 85% of our lease billings. The shipping industry has been consolidating for a number of years, and further consolidation could increase the portion of our revenues that come from our largest customers. Our five largest customers accounted for 53% of our lease billings, and our two largest customers, CMA CGM S.A. and Mediterranean Shipping Company S.A., accounted for 21% and 14%, respectively, of our lease billings in 2019. A default by one of our major customers could have a material adverse impact on our business, financial condition and future prospects.

**Marketing and Customer Service**

Our global marketing team and our customer service representatives are responsible for developing and maintaining relationships with senior operations staff at our shipping line customers, supporting lease negotiations and maintaining day-to-day coordination with junior level staff at our customers. This close customer communication is critical to our ability to provide customers with a high level of service, helps us to negotiate lease contracts that satisfy both our financial return requirements and our customers' operating needs, ensures that we are aware of our customers' potential equipment shortages, and provides customers knowledge of our available equipment inventories.

**Credit Controls**

We monitor our customers' performance and our lease exposures on an ongoing basis. Our credit management processes are aided by the long payment experience we have with most of our customers and our broad network of relationships in the shipping industry that provides current information about our customers' market reputations. Credit criteria may include, but are not limited to, customer payment history, customer financial position and performance (e.g., net worth, leverage and profitability), trade routes, country of domicile and the type of, and location of, equipment that is to be supplied.

We experienced a major lessee default in 2016 when Hanjin Shipping Co. ("Hanjin"), one of our top ten customers, filed for bankruptcy court protection and defaulted on our lease agreements. Hanjin had approximately 87,000 of our containers on lease with a net book value of $243.3 million. We recorded a loss of $29.7 million during the third quarter ended September 30, 2016, comprised of bad debt expense and a charge for costs not expected to be recovered due to deductibles in our credit insurance policies.

While we recovered a large majority of the containers previously on-hire to Hanjin, we incurred substantial costs in the recovery effort including a write-off of outstanding receivables; payments to terminals, depots, Hanjin shipping agents and others in possession of our containers to obtain the release of our containers; repair and handling costs; and positioning costs to move containers recovered from locations with weak leasing demand to higher demand locations.

We historically maintained credit insurance to help mitigate the cost and risk of lessee defaults and this insurance coverage greatly reduced our costs resulting from the default of Hanjin. However, our credit insurance policies typically had annual terms, and in the aftermath of the Hanjin bankruptcy, the availability of credit insurance protection has become much more limited and the cost of the more limited protection has increased substantially. We currently assess the cost and level of this type of credit insurance protection offered to us as uneconomic, and have allowed this credit insurance coverage to lapse. We have obtained a more limited credit insurance policy covering only accounts receivables for some of our customers. This policy does not cover recovery costs, has exclusions and payment and other limitations, and therefore may not protect us from losses arising from customer defaults. Therefore, we may be forced to incur all of the losses resulting from future lessee defaults, significantly increasing the likelihood that a lessee default would have a material adverse impact on our profitability and financial condition.

**Competition**

We compete with at least six other major intermodal equipment leasing companies in addition to many smaller lessors, manufacturers of intermodal equipment, and companies offering finance leases as distinct from operating leases. It is common for our customers to utilize several leasing companies to meet their equipment needs.

Our competitors compete with us in many ways, including lease pricing, lease flexibility, supply reliability and customer service. In times of weak demand or excess supply, leasing companies often respond by lowering leasing rates and increasing the logistical flexibility offered in their lease agreements. In addition, new entrants into the leasing business are often aggressive on pricing and lease flexibility. Furthermore, customers also have the option to purchase intermodal equipment and utilize owned equipment instead of leasing, relying on their own fleets to satisfy their intermodal equipment needs and even leasing their excess container stock to other shipping companies.

While we are forced to compete aggressively on price, we attempt to emphasize our supply reliability and high level of customer service to our customers. We invest heavily to ensure adequate equipment availability in high demand locations, dedicate large portions of our organization to building customer relationships and maintaining close day-to-day coordination with customers' operating staffs, and have developed powerful and user-friendly systems that allow our customers to transact with us through the Internet.

**Suppliers**

We have long-standing relationships with all of our major suppliers. We purchase most of our containers and chassis in China. There are four large manufacturers of dry containers and four large manufacturers of refrigerated containers, though for both dry containers and refrigerated containers, the largest manufacturer accounts for more than 40% of global production volume. Our procurement and engineering staff reviews the designs for our containers and periodically audits the production facilities of our suppliers. In addition, we use our procurement and engineering group and third-party inspectors to visit factories when our containers are being produced to provide an extra layer of quality control. Nevertheless, defects in our containers sometimes occur. We work with the manufacturers to correct these defects, and our manufacturers have generally honored their warranty obligations in such cases.

**Systems and Information Technology**

The efficient operation of our business is highly dependent on our information technology systems to track transactions, bill customers and provide the information needed to report our financial results. Our systems allow customers to facilitate sales orders and drop-off requests on the Internet, view current inventories and check contractual terms in effect with respect to any given container lease agreement. Our systems also maintain a database, which accounts for the containers in our fleet and our leasing agreements, processes leasing and sale transactions, and bills our customers for their use of and damage to our containers. We also use the information provided by these systems in our day-to-day business to make business decisions and improve our operations and customer service.

**Segments**

We operate our business in one industry, intermodal transportation equipment, and have two business segments, which also represent our reporting segments:

- Equipment leasing—Our equipment leasing operations include the acquisition, leasing, re-leasing and ultimate sale of multiple types of intermodal transportation equipment, primarily intermodal containers.
- Equipment trading—We purchase containers from shipping line customers, and other sellers of containers, and resell these containers to container retailers and users of containers for storage or one-way shipment.

**Environmental**

We face a number of environmental concerns, including potential liability due to accidental discharge from our containers, potential equipment obsolescence or retrofitting expenses due to changes in environmental regulations, and increased risk of container performance problems due to container design changes driven by environmental factors. While we maintain environmental liability insurance coverage, and the terms of our leases and other arrangements for use of our containers place the responsibility for environmental liability on the end user, we still may be subject to environmental liability in connection with our current or historical operations. In certain countries like the United States, the owner of a leased container may be liable for the costs of environmental damage from the discharge of the contents of the container even though the owner is not at fault. Our lessees are required to indemnify us from environmental claims and our standard master tank container lease agreement insurance clause requires our tank container lessees to provide pollution liability insurance.

We also face risks from changing environmental regulations, particularly with our refrigerated container product line. Many countries, including the United States, restrict, prohibit or otherwise regulate the use of chemical refrigerants due to their ozone depleting and global warming effects. Our refrigerated containers currently use various refrigerants. Manufacturers of cooling machines for refrigerated containers are testing units that utilize alternative refrigerants, as well as natural refrigerants such as carbon dioxide, that may have less global warming potential than current refrigerants. If future regulations prohibit the use or servicing of containers of current refrigerants, we could be forced to incur large retrofitting expenses. In addition, refrigerated containers that are not retrofitted may become difficult to lease, command lower rental rates and disposal prices, or may have to be scrapped.

Historically, the foam insulation in the walls of intermodal refrigerated containers required the use of a blowing agent that contained hydrochlorofluorocarbons ("CFCs"). The manufacturers producing our refrigerated containers have eliminated the use of this blowing agent in the manufacturing process, but a large number of our refrigerated containers manufactured prior to 2014 contain these CFCs. The European Union ("EU") prohibits the import and the placing on the market in the EU of intermodal containers with insulation made with such processes. However, we believe international conventions governing free movement of intermodal containers allow the use of such intermodal refrigerated containers in the EU if they have been admitted into EU countries on temporary customs admission. We have procedures in place that we believe comply with the relevant EU and country regulations. If future international conventions or regulations prohibit the use or servicing of containers with foam insulation that utilized this blowing agent change, we could be forced to incur large retrofitting expenses and those containers that are not retrofitted may become more difficult to lease and command lower rental rates and disposal prices.

An additional environmental concern affecting our operations relates to the construction materials used in our dry containers. The floors of dry containers are plywood usually made from tropical hardwoods. Due to concerns regarding de-forestation of tropical rain forests and climate change, many countries which have been the source of these hardwoods have implemented severe restrictions on the cutting and export of these woods. Accordingly, container manufacturers have switched a significant portion of production to more readily available alternatives such as birch, bamboo, and other farm-grown wood species. Container users are also evaluating alternative designs that would limit the amount of plywood required and are also considering possible synthetic materials to replace the plywood. These new woods or other alternatives have not proven their durability over the typical 13-15 year life of a dry container, and if they cannot perform as well as the hardwoods have historically, the future repair and operating costs for these containers could be significantly higher and the useful life of the containers may be decreased.

The paint systems used for dry containers have recently been modified for environmental reasons. Container manufacturers have replaced solvent-based paint systems with water-based paint systems for dry container production. Water-based paint systems require more time and care for proper application, and there is an increased risk that the paint will not adhere properly to the steel for the expected useful life of the containers. Poor paint coverage leads to premature rusting, increased maintenance cost over the life of the container and could result in a shorter useful life. If water-based paint applications or other coatings used to treat containers cannot perform as well as the solvent-based applications have historically, the future repair and operating costs for these containers could be significantly higher and the useful life of the containers may be decreased.

**Currency**

The U.S. dollar is the operating currency for the large majority of our leases and obligations, and most of our revenues and expenses are denominated in U.S. dollars. However, we pay our subsidiaries' non-U.S. staff in local currencies, and our direct operating expenses and disposal transactions for our older containers are often structured in foreign currencies. We record realized and unrealized foreign currency exchange gains and losses primarily due to fluctuations in exchange rates related to our Euro and Pound Sterling transactions and related assets and liabilities.

**Employees/Locations**

As of December 31, 2019, we employed approximately 245 people. We have an extensive global presence, offering leasing services through 20 offices and 3 independent agencies located in 16 countries. We believe that our relations with our employees are good and we are not a party to any collective bargaining agreements.

## ITEM 1A. RISK FACTORS

Our business, financial condition and results of operations are subject to various risks and uncertainties noted throughout this report including those discussed below, which may affect the value of our securities. In addition to the risks discussed below, which we believe to be the most significant risks facing the Company, there may be additional risks not presently known to us or that we currently deem less significant that also may adversely affect our business, financial condition and results of operations, possibly materially. Some statements in our risk factors constitute forward-looking statements. Please refer to the section entitled "Cautionary Note Concerning Forward-Looking Statements" in this report.

***Container leasing demand can be negatively affected by numerous market factors as well as external political, economic and other events that are beyond our control. Decreasing leasing demand could have a material adverse effect on our results of operations and cash flows.***

Demand for containers depends largely on the rate of world trade and economic growth. Demand for leased containers is also driven by our customers' lease versus buy decisions. Cyclical recessions, tariffs and other trade actions, and political instability can negatively affect lessors' operating results because during economic downturns or periods of reduced trade, shipping lines tend to lease fewer containers, or lease containers only at reduced rates, and tend to rely more on their own fleets to satisfy a greater percentage of their requirements. As a result, during periods of weak global economic activity, container lessors typically experience decreased leasing demand, decreased equipment utilization, lower average rental rates, decreased leasing revenue, decreased used container resale prices and significantly decreased profitability. These effects can be severe.

For example, our key operating metrics and profitability in 2019 were negatively impacted by reduced trade and economic growth, both of which were affected by increased trade tariffs due to the U.S./China trade dispute. Our utilization, average leasing rates and used container prices decreased steadily throughout 2019, and our profitability decreased during the year as well. We will start 2020 with a lower base of operating performance and profitability, and expect negative impacts from the U.S./China trade dispute will continue into 2020. Additionally, the recent novel coronavirus outbreak in China has significantly reduced factory production in the first quarter of 2020, which has led to lower exports from China and reduced container demand. See "Risk Factors - *Our operations may be adversely affected by natural or man-made events and the outbreak of disease, including the novel coronavirus, in the locations in which we and our customers or suppliers operate"* and "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion relating to the coronavirus.

In addition, we have experienced a number of other periods of weak performance in recent years due to adverse global economic conditions, including in 2009 due to the global financial crisis, and during 2015 and 2016 due to a global manufacturing recession. During both of these periods, our profitability and growth rate were significantly impacted by weak container demand.

Other general factors affecting demand for leased containers and our container utilization include:

- the available supply and prices of new and used containers;
- changes in economic conditions, the operating efficiency of customers and competitive pressures in the shipping industry;
- the availability and terms of equipment financing for customers;
- fluctuations in interest rates and foreign currency values;
- import/export tariffs and restrictions, and customs procedures;
- foreign exchange controls; and
- other governmental regulations and political or economic factors that are inherently unpredictable and may be beyond our control.

Any of the aforementioned factors may have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Increased tariffs or other trade actions could adversely affect our business, financial conditions and results of operations.***

The international nature of the container industry exposes us to risks relating to the imposition of import and export duties and quotas and domestic and foreign customs and tariffs. These risks have increased recently as the United States and other countries have adopted protectionist trade policies.

Trade growth and demand for leased containers decreased significantly from 2018 to 2019 due to U.S. / China trade actions, and while the United States and China agreed in January 2020 to limit further actions, tariffs and other trade barriers remain historically high and key areas of difference remain unresolved. In addition, the risk of trade disputes between other countries remains high. Increased trade barriers and the risk of further disruptions is also motivating manufacturers and retailers to reduce their reliance on overseas production and could reduce the long-term growth rate for international trade, leading to decreased demand for leased containers, lower new container prices and decreased market leasing rates. These impacts could have a materially adverse effect on our business, profitability and cash flows.

***Our customers may decide to lease fewer containers. Should shipping lines decide to buy a larger percentage of the containers they operate, our utilization rate and level of investment would decrease, resulting in decreased leasing revenues, increased storage costs, increased repositioning costs and lower growth.***

We, like other suppliers of leased containers, are dependent upon decisions by shipping lines to lease rather than buy their container equipment. Should shipping lines decide to buy a larger percentage of the containers they operate, our utilization rate would decrease, resulting in decreased leasing revenues, increased storage costs and increased repositioning costs. A decrease in the portion of leased containers operated by shipping lines would also reduce our investment opportunities and significantly constrain our growth. Most of the factors affecting the lease versus buy decisions of our customers are outside of our control.

Until recently, many widely-used accounting standards such as Generally Accepted Accounting Principles ("GAAP") and International Financial Reporting Standards ("IFRS") generally did not require operating leases to be presented on the balance sheet, which resulted in a lower level of reported financial leverage for leased containers relative to containers purchased with debt. This difference in accounting treatment may have been a factor in shipping lines' decisions to lease rather than buy containers. For reporting periods beginning in 2019, new accounting standards for operating leases require the recognition of a right-of-use ("ROU") asset and corresponding lease liability on the lessee's balance sheet for leases with a lease term greater than one year. The adoption of these new standards has caused our customers to consider lease structures with shorter duration and reevaluate their lease versus buy decision criteria.

***Market lease rates may decrease due to a decrease in new container prices, weak leasing demand, increased competition or other factors, resulting in reduced revenues, lower margins, and reduced profitability and cash flows.***

Market leasing rates are typically a function of, among other things, new equipment prices (which are heavily influenced by steel prices in China), interest rates, the type and length of the lease, and the equipment supply and demand balance at a particular time and location. A decrease in leasing rates can have a materially adverse effect on our leasing revenues, profitability and cash flow.

A decrease in market leasing rates negatively impacts the leasing rates on both new container investments and the existing containers in our fleet. Most of our existing containers are on operating leases, which means that the lease term is shorter than the expected life of the container, so the lease rate we receive for the container is subject to change at the expiration of the current lease. As a result, during periods of low market lease rates, the average lease rate received for our containers is negatively impacted by both the addition of new containers at low lease rates as well as, and more significantly by, the turnover of existing containers from leases with higher lease rates to leases with lower lease rates.

Market leasing rates decreased throughout 2019 due to a decrease in new container prices, slow trade growth, and aggressive competition among leasing companies, and as of December 31, 2019, market leasing rates were below the average leasing rates in our lease portfolio. In addition, the portion of our containers on expired leases increased in 2019, increasing the number of containers that could be subject to negative lease re-pricing. If market lease rates remain below our portfolio lease rates for an extended period of time, as they did in 2015 and 2016, such lower average lease rates could materially impact our leasing revenue and profitability.

***Market conditions for container lessors have been extremely volatile.***

Market conditions and the operating and financial performance of container leasing companies have been extremely volatile. Market conditions such as steel and new container prices, global containerized trade growth, market lease rates and used container sale prices were strong from 2010 through 2014, driving a high level of profitability for container leasing companies. Market conditions subsequently deteriorated rapidly in 2015 and 2016, leading to a significant erosion in our operating and financial performance. Market conditions rebounded at the end of 2016 and remained favorable through 2017 and 2018, leading to a recovery in our operating and financial performance. Trade growth slowed and market conditions weakened in 2019 and our operating performance decreased. If market conditions remain weak or deteriorate further, we would experience decreased profitability and reduced cash flows.

***The risk of lessee defaults is currently elevated due to sustained excess vessel capacity and the resulting poor financial performance for most of our shipping line customers.***

Our containers and chassis are leased to numerous customers. Lease rentals and other charges, as well as indemnification for damage to or loss of equipment, are payable under the leases by the lessees. Inherent in the nature of the leases is the risk that once the lease is consummated, we may not receive, or may experience delay in receipt of, all of the amounts to be paid in respect of the equipment. A delay or diminution in amounts received under the leases could adversely affect our profitability and cash flows. In addition, not all of our customers provide detailed financial information regarding their operations. As a result, customer credit risk is in part assessed on the basis of their payment histories and reputation in the market, and there can be no assurance that they can or will fulfill their obligations under the contracts we have with them. Our customers could incur financial difficulties, or otherwise have difficulty making payments to us when due, for any number of factors that may be beyond our control and which we may be unable to anticipate.

The cash flow from our equipment, principally lease rentals, management fees and proceeds from the sale of owned equipment, is affected significantly by our ability to collect payments under leases for the use of the equipment and our ability to replace cash flows from terminating leases by re-leasing or selling equipment on favorable terms. All of these factors are subject to external economic conditions and performance by lessees and service providers that are beyond our control.

In addition, when lessees or sub-lessees of our containers and chassis default, we may fail to recover all of our equipment, and the containers and chassis we do recover may be returned in damaged condition or to locations where we will not be able to efficiently re-lease or sell them. As a result, we may have to repair and reposition these containers and chassis to other places where we can re-lease or sell them and we may lose lease revenues and incur additional operating expenses in repossessing, repositioning and storing the equipment.

We also often incur extra costs when repossessing containers from a defaulting lessee. These costs typically arise when our lessee has also defaulted on payments owed to container terminals or depot facilities where the repossessed containers are located. In such cases, the terminal or depot facility will sometimes seek to have us repay a portion of the unpaid bills as a condition before releasing the containers back to us.

The likelihood of lessee defaults remains elevated. The container shipping industry has been suffering for several years from excess vessel capacity and low freight rates. A number of our customers generated financial losses over the last several years and many are burdened by high levels of debt. Ongoing deliveries of fuel efficient mega vessels will likely continue to pressure freight rates and our customers' profitability. In addition, the implementation in 2020 of the IMO 2020 global sulfur cap regulations is likely to increase the financial pressures on shipping lines. These regulations will require our customers to either purchase more expensive, low sulfur fuel or invest large amounts to install sulfur scrubbers for their existing ships. These extra expenses and investments could create significant additional financial burdens for our customers.

We experienced a major lessee default in 2016 when Hanjin filed for court protection and immediately began a liquidation process. At that time, we had approximately 87,000 containers on lease to Hanjin with a net book value of $243.3 million. We recorded a loss of $29.7 million during the third quarter ended September 30, 2016, comprised of bad debt expense and a charge for costs not expected to be recovered due to deductibles in credit insurance policies. The impact of the Hanjin bankruptcy was significantly lessened by credit insurance policies in place during 2016 which covered the value of containers that are unrecoverable, cost incurred to recover containers and a portion of lost lease revenue. Since that time, we have not been able to renew the credit insurance at levels considered to be economical and may not be able to obtain such insurance in the future.

Our balance sheet includes an allowance for doubtful accounts as well as an equipment reserve related to the expected costs of recovering and remarketing containers currently in the possession of customers that have either defaulted or that we believe currently present a significant risk of loss. However, we do not maintain a general equipment reserve for equipment on-hire under operating leases to performing customers. As a result, any major customer default could have a significant impact on our profitability upon such default. Such a default could also have a material adverse effect on our business condition and financial prospects.

***Our customer base is highly concentrated. A default from any of our largest customers would have a material adverse effect on our business, financial condition and future prospects. In addition, a significant reduction in leasing business from any of our large customers could have a material adverse impact on demand for our containers and our financial performance.***

Our five largest customers represented approximately 53% of our lease billings in 2019. Our single largest customer, CMA CGM S.A., represented approximately 21% of lease billings in 2019, and our second largest customer Mediterranean Shipping Company S.A., represented approximately 14% of lease billings in 2019. Furthermore, the shipping industry has been consolidating for a number of years, and further consolidation is expected and could increase the portion of our revenues that come from our largest customers.

Given the high concentration of our customer base, a default by any of our largest customers would result in a major reduction in our leasing revenue, large repossession expenses, potentially large lost equipment charges and a material adverse impact on our performance and financial condition. In addition, a significant reduction in orders from any of our major customers could materially reduce the demand for our containers and result in lower leasing revenue, higher operating expenses and diminished growth prospects.

***The implementation of new environmental regulations is expected to significantly increase the operating cost of our shipping line customers, further pressuring their financial performance and increasing our credit risk.***

As of January 1, 2020, the International Maritime Organization regulation referred to as IMO 2020 required all vessels to burn fuel with a sulfur content of no more than 0.5% unless fitted with an exhaust gas emissions cleaner (scrubber) capable of reducing sulfur emissions to 0.5% or less. Low sulfur fuel is considerably more expensive than high sulfur fuel and the alternative installation of scrubbers requires significant capital outlays. Whatever option a shipping line elects, the regulation will increase costs for our customers with no assurance that these added costs can be passed on via higher freight rates. If the shipping lines are unable to pass on these additional costs, our customers' financial performance will be further pressured which may negatively impact their ability to make payments to us when due and have an adverse effect on our profitability and cash flows.

***Credit insurance may not be available in the future to help defer the costs of future credit defaults.***

We have historically maintained credit insurance to help mitigate the cost and risk of lessee defaults. Those insurance policies typically covered the value of containers that were unrecoverable, costs incurred to recover containers and a portion of lost lease revenue. This insurance coverage reduced our loss resulting from the default of Hanjin, by approximately $67.0 million.

However, in the aftermath of the Hanjin bankruptcy, the level of protection offered under this type of credit insurance has become much more limited and the cost of the more limited protection has increased substantially. We assessed the cost and level of credit insurance protection offered to the Company, determined that it is not economical and have allowed this credit insurance coverage to lapse. Accordingly, we may be forced to incur all of the losses resulting from future lessee defaults, significantly increasing the likelihood that a lessee default would have a material adverse impact on our profitability and financial condition.

***Used container sales prices have been volatile. During periods of low used container sale prices, such as we experienced for much of 2015 and 2016, used container sale prices can fall below our accounting residual values, leading to losses on the disposal of our equipment.***

Although our revenues primarily depend upon equipment leasing, our profitability is also affected by the gains or losses we realize on the sale of used containers because, in the ordinary course of our business, we sell certain containers when they are returned by customers upon lease expiration. The volatility of the selling prices and gains or losses from the disposal of such equipment can be significant. Used container selling prices, which can vary substantially, depend upon, among other factors, the cost of new containers, the global supply and demand balance for containers, the location of the containers, the supply and demand balance for used containers at a particular location, the physical condition of the container, refurbishment needs, materials and labor costs and obsolescence of certain equipment or technology. Most of these factors are outside of our control.

Containers are typically sold if it is in our best interest to do so after taking into consideration local and global leasing and sale market conditions and the age, location and physical condition of the container. As these considerations vary, gains or losses on sale of equipment will also fluctuate and may be significant if we sell large quantities of containers.

Used container selling prices and the gains or losses that we have recognized from selling used containers have varied widely. Selling prices for used containers and disposal gains were exceptionally high from 2010 to 2012 due to a tight global supply and demand balance for containers. Used container prices gradually declined from 2012 through 2014, then dropped steeply in 2015 and 2016 to levels below our estimated residual values, resulting in significant losses on sale of leasing equipment in 2016. Used container sale prices rebounded significantly in 2017 and 2018, but declined in 2019. If disposal prices were to fall back below our residual values for an extended period, it would have a significantly negative impact on our profitability and cash flows.

***Equipment trading results have been highly volatile and are subject to many factors outside of our control.***

The profitability of our equipment trading activities has varied widely. Our ability to sustain a high level of equipment trading profitability will require securing large volumes of additional trading equipment and continuing to achieve high selling margins.

Several factors could limit our trading volumes. Shipping lines that have sold containers to us could develop other means for disposing their equipment or develop their own sales networks. In addition, we may limit our purchases if we have concerns that used container selling prices might decrease.

Our equipment trading results would also be negatively impacted by a reduction in our selling margins by increased competition for purchasing trading containers or by decreased sales prices. If sales prices rapidly deteriorate and we hold a large inventory of equipment that was purchased when prices for equipment were higher, then our gross margins could become negative

***We face extensive competition in the container leasing industry.***

We may be unable to compete favorably in the highly competitive container leasing and sales business. We compete with six other major leasing companies, many smaller container lessors, manufacturers of container equipment, companies offering finance leases as distinct from operating leases, promoters of container ownership and leasing as a tax shelter investment, shipping lines which sometimes lease their excess container stocks, and suppliers of alternative types of equipment for freight transport. Some of these competitors may have greater financial resources and access to capital than us and may have lower investment return expectations. Additionally, some of these competitors may, at times, accumulate a high volume of underutilized inventories of containers, which could lead to significant downward pressure on lease rates and margins.

Competition among container leasing companies involves many factors, including, among others, lease rates, lease terms (including lease duration, and drop-off and repair provisions), customer service, and the location, availability, quality and individual characteristics of equipment. The highly competitive nature of our industry may reduce our lease rates and margins and undermine our ability to maintain our current level of container utilization or achieve our growth plans. In general, competition from other leasing companies becomes more intense following a period of strong performance, such as we experienced in 2017 and 2018. In 2019, the reduced demand for leasing containers contributed to more competition from container leasing companies for the limited container leasing transactions.

***We may incur future asset impairment charges.***

An asset impairment charge may result from the occurrence of an adverse change in market conditions, unexpected adverse events or management decisions that impact our estimates of expected cash flows generated from our long-lived assets. We review our long-lived assets, including our container and chassis equipment, goodwill and other intangible assets for impairment, when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. We may be required to recognize asset impairment charges in the future as a result of reductions in demand for specific container and chassis types, a weak economic environment, challenging market conditions, events related to particular customers or asset types, or as a result of asset or portfolio sale decisions by management.

The likelihood that we could incur asset impairment charges increases during periods of low new container prices, low market lease rates and low used container selling prices. New container prices and market leasing rates were low for much of 2019.

In addition, while used container selling prices are currently above our estimated residual values, they are extremely volatile and if disposal prices fall back below our residual values for an extended period, we would likely need to revise our estimates for residual values. Decreasing estimates for residual values would result in an immediate impairment charge on containers older than the estimated useful life in our depreciation calculations, and would result in increased depreciation expense for all of our other containers in subsequent periods. Asset impairment charges could significantly impact our profitability and could potentially cause us to breach the financial covenants contained in some or all of our debt agreements. The impact of asset impairment charges and a potential covenant default could be severe.

***Financing may become more difficult to arrange and more expensive. If we are unable to finance capital expenditures efficiently, our business and growth plans will be adversely affected.***

We expect to make capital investments to, among other things, maintain and expand the size of our container fleet. If we are unable to raise sufficient debt financing, we may be unable to achieve our targeted level of investment and growth. In addition, if our financing costs increase, we may be unable to pass along the higher cost of financing to our customers through higher per diem lease rates, which would reduce the profit margin and investment returns on new container investments.

During the difficult market environment in 2015 and 2016, many lenders to the container leasing industry became more cautious, decreasing our sources of available debt financing and increasing our borrowing costs. Financing availability and costs have since improved, but there is no assurance this will continue. In addition, we are the largest container leasing exposure for many of our lenders, and the amount of incremental loans available from our existing lenders may become constrained due to single-name credit limitations.

In addition, our financing capacity could decrease, our financing costs and interest rates could increase, or our future access to the financial markets could be limited, as a result of other risks and contingencies, many of which are beyond our control, including: (i) a reduced acceptance by credit markets of the structures and structural risks associated with our bank financing, private placement financing and asset-backed financing arrangements; (ii) reduced credit ratings provided by credit rating agencies for our corporate rating and those of our special purpose funding entities; (iii) third parties requiring changes in the terms and structure of our financing arrangements, including increased credit enhancements (such as lower advance rates) or required cash collateral and/or other liquid reserves; or (iv) changes in laws or regulations that negatively impact the terms on which the banks or other creditors may finance us. If we are unsuccessful in obtaining sufficient additional financing on acceptable terms, on a timely basis, or at all, such changes could have a material adverse effect on our liquidity, interest costs, profitability and cash flows.

***We have a substantial amount of debt outstanding on a consolidated basis and have significant debt service requirements. This increases the risk that adverse changes in our operating performance, our industry or the financial markets could severely diminish our financial performance and future business and growth prospects, and increases the chance that we might face insolvency due to a default on our debt obligations.***

We use substantial amounts of debt to fund our operations, particularly our purchase of equipment. As of December 31, 2019, we had outstanding indebtedness of approximately $6,684.2 under our debt facilities. Total interest and debt expense for the year ended December 31, 2019 was $316.2 million.

Our substantial amount of debt could have important consequences for investors, including:

- making it more difficult for us to satisfy our obligations with respect to our debt facilities. Any failure to comply with such obligations, including a failure to make timely interest or principal payments, or a breach of financial or other restrictive covenants, could result in an event of default under the agreements governing such indebtedness, which could lead to, among other things, an acceleration of our indebtedness or foreclosure on the assets securing our indebtedness and which could have a material adverse effect on our business, financial condition, future prospects and solvency;
- requiring us to dedicate a substantial portion of our cash flow from operations to make payments on our debt, thereby reducing funds available for operations, capital expenditures, future business opportunities and other purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- limiting our ability to borrow additional funds, or to sell assets to raise funds, if needed, for working capital, capital expenditures, acquisitions or other purposes;
- making it difficult for us to pay dividends on our common and preferred shares;
- increasing our vulnerability to general adverse economic and industry conditions, including changes in interest rates; and
- placing us at a competitive disadvantage compared to our competitors having less debt.

Additionally, we may not be able to refinance any of our indebtedness on commercially reasonable terms or at all. If we cannot refinance our indebtedness, we may have to take actions such as selling assets, seeking equity capital or reducing or delaying future capital expenditures or other business investments, which could have a material adverse impact on our growth rate, profitability and cash flow. Such actions, if necessary, may not be effected on commercially reasonable terms or at all. Our indebtedness may restrict our ability to sell assets and use the proceeds from such sales in certain ways. We may also incur substantial additional indebtedness in the future. To the extent that new indebtedness is added to current debt levels, the risks described above would increase.

***Our credit facilities impose significant operating and financial restrictions, which may prevent us from pursuing certain business opportunities and taking certain actions.***

Our asset-backed securities, institutional notes and other credit facilities impose, and the terms of any future indebtedness may impose, significant operating, financial and other restrictions on the Company and our subsidiaries. These restrictions may limit or prohibit, among other things, our ability to:

- incur additional indebtedness;

- pay dividends on or redeem or repurchase our shares;
- issue additional share capital;
- make loans and investments;
- create liens;
- sell certain assets or merge with or into other companies;
- enter into certain transactions with our shareholders and affiliates;
- cause our subsidiaries to make dividends, distributions and other payments to us; and
- otherwise conduct necessary corporate activities.

These restrictions could adversely affect our ability to finance our future operations or capital needs and pursue available business opportunities. A breach of any of these restrictions could result in a default in respect of the related indebtedness. If a default occurs, the relevant lenders could elect to declare the indebtedness, together with accrued interest and fees, to be immediately due and payable and proceed against any collateral securing that indebtedness, which under certain circumstances could constitute substantially all of our container assets.

***We have a complex debt structure with numerous credit facilities containing various non-financial covenants which are not standardized between facilities. This increases the risk of a technical default that could lead to the acceleration of our repayment obligations in certain instances.***

We have a significant number of credit facilities containing numerous non-financial covenants, such as, but not limited to, reporting and notification requirements, which are not standardized between facilities requiring extensive monitoring and compliance. Failure to comply with any of these non-financial covenants could result in an event of default, which could trigger cross-defaults of multiple facilities. Should we fail to comply with any of these non-financial covenants we may be unable to obtain waivers and lenders could accelerate our debt repayment obligations and proceed against any collateral securing that indebtedness.

***The expected discontinuation of the LIBOR benchmark interest rate may have an impact on our business.***

On July 27, 2017, the U.K. Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced that it will no longer persuade or compel banks to submit rates for the calculation of LIBOR rates after 2021. As a result, LIBOR may be discontinued after 2021. The FCA and the submitting LIBOR banks have indicated they will support the LIBOR indices through 2021 to allow for an orderly transition to an alternative reference rate. Financial services regulators and industry groups are evaluating the phase-out of LIBOR and the development of alternate reference rate indices or reference rates.

In the United States, the Alternative Reference Rate Committee ("ARRC"), a group of diverse private-market participants assembled by the Federal Reserve Board and the Federal Reserve Bank of New York, was tasked with identifying alternative reference rates to replace LIBOR. The Secured Overnight Finance Rate ("SOFR") has emerged as the ARRC's preferred alternative rate for LIBOR. SOFR is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities in the repurchase agreement market. At this time, it is not possible to predict how markets will respond to SOFR or other alternative reference rates as the transition away from LIBOR is anticipated to be gradual over the coming years.

As of December 31, 2019, we had $2,699.8 million of total debt outstanding under facilities with interest rates based on floating-rate indices. In addition, we had $1,799.2 million notional value of interest rate swaps in place that are indexed to LIBOR. Our credit facilities include fallback language that seeks to facilitate an agreement with our lenders on a replacement rate for LIBOR in the event of its discontinuance. We cannot predict what reference rate would be agreed upon or what the impact of any such replacement rate would be to our interest expense. The Company's swap agreements are governed by the International Swap Dealers Association ("ISDA"), which is currently in the process of developing fallback language for swap agreements and is expected to establish guidelines to allow counterparties to modify historical trades to include the new fallback language. Potential changes to the underlying floating-rate indices and reference rates may have an adverse impact on our agreements indexed to LIBOR and could have a negative impact on our profitability and cash flows.

***Environmental regulations may result in equipment obsolescence or require substantial investments to retrofit existing equipment. Additionally, environmental concerns are leading to significant design changes for new containers that have not been extensively tested, which increases the likelihood that we could face technical problems.***

Many countries, including the United States, restrict, prohibit or otherwise regulate the use of chemical refrigerants due to their ozone depleting and global warming effects. Our refrigerated containers currently use various refrigerants. Manufacturers of cooling machines for refrigerated containers are testing units that utilize alternative refrigerants, as well as natural refrigerants such as carbon dioxide, that may have less global warming potential than current refrigerants. If future regulations prohibit the use or servicing of containers of current refrigerants, we could be forced to incur large retrofitting expenses. In addition, refrigerated containers that are not retrofitted may become difficult to lease, command lower rental rates and disposal prices, or may have to be scrapped.

Historically, the foam insulation in the walls of intermodal refrigerated containers required the use of a blowing agent that contains CFCs. The manufacturers producing our refrigerated containers have eliminated the use of this blowing agent in the manufacturing process, but a large number of our refrigerated containers manufactured prior to 2014 contain these CFCs. The EU prohibits the import and the placing on the market in the EU of intermodal containers with insulation made with such process. However, we believe international conventions governing free movement of intermodal containers allow the use of such intermodal refrigerated containers in the EU if they have been admitted into EU countries on temporary customs admission. We have procedures in place that we believe comply with the relevant EU and country regulations. If future international conventions or regulations prohibit the use or servicing of containers with foam insulation that utilized this blowing agent change, we could be forced to incur large retrofitting expenses and those containers that are not retrofitted may become more difficult to lease and command lower rental rates and disposal prices.

An additional environmental concern affecting our operations relates to the materials and processes used to construct our dry containers. The floors of dry containers are plywood usually made from tropical hardwoods. Due to concerns regarding de-forestation of tropical rain forests and climate change, many countries which have been the source of these hardwoods have implemented severe restrictions on the cutting and export of these woods. Accordingly, container manufacturers have switched a significant portion of production to more readily available alternatives such as birch, bamboo, and other farm-grown wood species. Container users are also evaluating alternative designs that would limit the amount of plywood required and are also considering possible synthetic materials to replace the plywood. These new woods or other alternatives have not proven their durability over the typical 13-15 year life of a dry container, and if they cannot perform as well as the hardwoods have historically, the future repair and operating costs for these containers could be significantly higher and the useful life of the containers may be decreased.

For environmental reasons, container manufacturers have replaced solvent-based paint systems with water-based paint systems for dry container production. Water-based paint systems require more time and care for proper application, and there is an increased risk that the paint will not adhere properly to the steel for the expected useful life of the containers. In addition, some of our refrigerated container manufacturers have recently announced planned changes to the panel treatment and painting processes for refrigerated containers, and we are concerned these changes will lead to decreased protection from the paint system. Poor paint coverage and adherence leads to premature rusting, increased maintenance cost over the life of the container and could result in a shorter useful life.

China has implemented regulations restricting the import of solid wastes, and these regulation are limiting the import into China of old refrigerated containers destined for material recycling. These regulations may limit the disposal demand for non-working refrigerated containers and could result in a decrease in refrigerated container disposal prices which could have a significant negative impact on our profitability and cash flows.

***Litigation to enforce our leases and recover our containers has inherent uncertainties. These uncertainties are increased for our containers located in jurisdictions that have less developed legal systems.***

While almost all of our lease agreements are governed by New York or California law and provide for the non-exclusive jurisdiction of the courts located in the State of New York or the courts located in San Francisco, California or arbitration in New York or San Francisco, California, the ability to enforce the lessees' obligations under the leases and other arrangements for use of the containers often is subject to applicable laws in the jurisdiction in which enforcement is sought. It is not possible to predict, with any degree of certainty, the jurisdictions in which enforcement proceedings may be commenced. Our containers are manufactured primarily in China, and a substantial portion of our containers are leased out of Asia, primarily China, and are used by our customers in a wide range of global trades. Litigation and enforcement proceedings have inherent uncertainties in any jurisdiction and may be expensive. These uncertainties are enhanced in countries that have less developed legal systems where the interpretation of laws and regulations is not consistent, may be influenced by factors other than legal merits and may be cumbersome, time-consuming and more expensive. For example, repossessing containers from defaulting lessees may be difficult and more expensive in jurisdictions whose laws do not confer the same security interests and rights to creditors and lessors as those in the United States and where the legal systems are not as well developed. Additionally, even if we are successful in obtaining judgments against defaulting customers, these customers may have limited owned assets and/or heavily encumbered assets and the collection and enforcement of a monetary judgment against them may be unsuccessful. As a result, the remedies available and the relative success and expedience of collection and enforcement proceedings with respect to the containers in various jurisdictions cannot be predicted.

The success of our recovery efforts for defaulted leases has been hampered by undeveloped creditor protections and legal systems in a number of countries. In these situations, we experienced an increase in average recovery costs per unit and a decrease in the percentage of containers recovered in default situations primarily due to excessive charges applied to our containers by the depot or terminal facilities that had been storing the containers for the defaulted lessee. In these cases, the payments demanded by the depot or terminal operators often significantly exceeded the amount of storage costs that the Company would have reasonably expected to pay for the release of the containers. However, legal remedies were limited in many of the jurisdictions where the containers were being stored, and we were sometimes forced to accept the excessive storage charges to gain control of our containers. If the number and size of defaults increases in the future, and if a large percentage of the defaulted containers are being stored in countries with less developed legal systems, losses resulting from recovery payments and unrecovered containers could be large and our profitability significantly reduced.

***Manufacturers of equipment may be unwilling or unable to honor manufacturer warranties covering defects in our equipment.***

We obtain warranties from the manufacturers of equipment that we purchase. When defects in the containers occur, we work with the manufacturers to identify and rectify the problems. However, there is no assurance that manufacturers will be willing or able to honor warranty obligations. In addition, manufactures warranties typically do not cover the full expected life of our containers. If the manufacturer is unwilling or unable to honor warranties covering failures occurring within the warranty period or if defects are discovered in containers that are no longer covered by manufacturers' warranties, we could be required to expend significant amounts of money to repair the containers, the useful lives of the containers could be shortened and the value of the containers reduced.

A shortage of mature tropical hardwood has forced manufacturers to use younger and alternative species of wood to make container floors. Manufacturers have switched a significant portion of production to more readily available alternatives such as birch, bamboo, bamboo-wood combined panels, and other farm-grown wood species. Container owners are also evaluating alternative designs that would limit the amount of plywood required and are also considering possible synthetic materials to replace the plywood. These new woods or other alternatives have not proven their durability over the typical 13 to 15 year life of a dry container. It is therefore possible that the number and magnitude of warranty claims related to premature floor failures will increase.

Another example relates to the Chinese Central Government imposing volatile organic compound and air quality standards in South China in July 2016 and in all of China in April 2017. As a result of these standards, manufacturers changed from solvent-based paint systems to water-based paint systems. Water-based paint systems have not proven their durability over the typical 13 to 15 year life of a dry container in a marine environment. It is possible that the number and magnitude of warranty claims related to premature paint failures will increase.

If container manufacturers do not honor warranties covering these failures, or if the failures occur after the warranty period expires, we could be required to expend significant amounts of money to repair or sell containers earlier than expected. This could have a material adverse effect on our operating results and financial condition.

***Changes in market price or availability of containers in China could adversely affect our ability to maintain our supply of containers.***

The vast majority of intermodal containers are currently manufactured in China, and we currently purchase substantially all of our dry containers, special containers and refrigerated containers from manufacturers based there. In addition, the container manufacturing industry in China is highly concentrated. In the event that it were to become more expensive for us to procure containers in China because of further consolidation among container suppliers or reduced production by our suppliers, a dispute with one of our manufacturers, increased tariffs imposed by the United States or other governments or for any other reason, we would have to seek alternative sources of supply. We may not be able to make alternative arrangements quickly enough to meet our equipment needs, and the alternative arrangements may increase our costs, reduce our profitability and make us less competitive in the market.

***We may incur significant costs associated with relocation of leased equipment.***

When lessees return equipment to locations where supply exceeds demand, containers are routinely repositioned to higher demand areas. Positioning expenses vary depending on geographic location, distance, freight rates and other factors. Positioning expenses can be significant if a large portion of our containers are returned to locations with weak demand.

We currently seek to limit the number of containers that can be returned to areas where demand for such containers is not expected to be strong. However, future market conditions may not enable us to continue such practices. In addition, we may not be successful in accurately anticipating which port locations will be characterized by weak or strong demand in the future, and current contracts will not provide much protection against positioning costs if ports that are expected to be strong demand ports turn out to be surplus container ports when the equipment is returned to such ports upon lease expiration. In particular, we could incur significant positioning costs in the future if trade flows change from net exports to net imports in locations such as the main ports in China that are currently considered to be high demand locations and where our leases typically allow large numbers of containers to be returned.

***Sustained China and Asian economic, social or political instability could reduce demand for leasing.***

Many of the shipping lines to which we lease containers are entities domiciled in Asian countries. In addition, many of our customers are substantially dependent upon shipments of goods exported from China and other Asian countries. From time to time, there have been economic disruptions, financial turmoil and political instability in this region. If these events were to occur again in the future, they could adversely affect our customers and lead to reduced demand for our containers or otherwise have an adverse effect on market conditions and our performance.

***Our operations may be adversely affected by natural or man-made events and the outbreak of disease, including the novel coronavirus, in the locations in which we and our customers or suppliers operate.***

We have operations in locations subject to severe weather conditions and natural disasters and our business is also subject to events such as chemical explosions, fires or accidents. Our suppliers and customers are also subject to these risks. Severe weather conditions, including as a result of the effects of climate change, or other natural or man-made disasters where we have business operations could lead to disruption of regional and global economies and damage to or loss of our equipment, which could adversely affect our business and results of operations.

Additionally, outbreaks of pandemic or contagious diseases, such as the recent novel strain of coronavirus, and related quarantines and work and travel restrictions, may cause significantly reduced demand for international shipping, disrupt manufacturing and other business activities or could prevent our containers from being discharged or picked up in the affected areas or in other locations after having visited the affected areas for a prolonged period of time, which could have a material adverse effect on our business and results of operations.

***It may become more expensive for us to store our off-hire containers.***

We are dependent on third-party depot operators to repair and store our equipment in port areas throughout the world. In many of these locations the land occupied by these depots is increasingly being considered as prime real estate. Accordingly, some depots are seeking to increase the rates we pay to store our containers, and some local communities are increasing restrictions on depot operations which increase their costs of operation and, in some cases, force depots to relocate to sites further from the port areas. Additionally, depots in prime locations may become filled to capacity based on market conditions and may refuse additional containers due to space constraints. As a result of these factors, the cost of maintaining and storing our off-hire containers could increase significantly.

***We rely on our information technology systems to conduct our business. If there are disruptions and these systems fail to adequately perform their functions, or if we experience an interruption in our operation, our business and financial results could be adversely affected.***

The efficient operation of our business is highly dependent on our information technology systems, including our equipment tracking and billing systems and our customer interface systems. These systems allow customers to facilitate sales orders and drop-off requests, view current inventory and check contractual terms in effect with respect to any given container lease agreement. These systems also process and track transactions, such as container pick-ups, drop-offs and repairs, and bill customers for the use of and damage to our equipment. If our information technology systems are damaged or an interruption is caused by a computer systems failure, viruses, security breach, hacker attack, ransom attack, fire, natural disasters or power loss, the disruption to our normal business operations and impact on our costs, competitiveness and financial results could be significant.

***Security breaches and other disruptions could compromise our information technology systems and expose us to liability, which could cause our business and reputation to suffer.***

In the ordinary course of our business, we collect and store sensitive data on our systems and networks, including our proprietary business information and that of our customers and suppliers, and personally identifiable information of our customers and employees. The secure storage, processing, maintenance and transmission of this information is critical to our operations. Despite the security measures we employ, our information technology systems and networks may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise such systems and networks and the information stored therein could be accessed, publicly disclosed and/or lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, disruption to our operations, damage to our reputation and/or loss of competitive position.

***A number of key personnel are critical to the success of our business.***

We have senior executives and other management level employees with extensive industry experience. We rely on this knowledge and experience in our strategic planning and in our day-to-day business operations. Our success depends in large part upon our ability to retain our senior management, the loss of one or more of whom could have a material adverse effect on our business. Our success also depends on our ability to retain our experienced sales team and technical personnel, as well as to recruit new skilled sales, marketing and technical personnel. Competition for experienced managers in our industry can be intense. If we fail to retain and recruit the necessary personnel, our business and our ability to retain customers and provide acceptable levels of customer service could suffer.

***The international nature of the container industry exposes us to numerous risks.***

We are subject to risks inherent in conducting business across national boundaries, any one of which could adversely impact our business. These risks include:

- regional or local economic downturns;
- changes in governmental policy or regulation;
- domestic and foreign customs and tariffs, import and export duties and quotas;
- restrictions on the transfer of funds into or out of countries in which we operate;
- compliance with U.S. Treasury and EU sanctions regulations restricting doing business with certain nations or specially designated nationals;
- international incidents;
- military conflicts;
- government instability;
- nationalization of foreign assets;
- government protectionism;
- compliance with export controls, including those of the U.S. Department of Commerce;
- compliance with import procedures and controls, including those of the U.S. Department of Homeland Security;
- potentially negative consequences from changes in tax laws;
- requirements relating to withholding taxes on remittances and other payments by subsidiaries and customers;
- labor or other disruptions at key ports or at manufacturing facilities of our suppliers;
- difficulty in staffing and managing widespread operations;
- difficulty in registering intellectual property or inadequate intellectual property protection in foreign jurisdictions; and
- restrictions on our ability to own or operate subsidiaries, make investments or acquire new businesses in these jurisdictions.

We are also subject to the impact of political, economic and social instability. For example, the U.K. is currently negotiating the terms of its exit from the European Union ("Brexit"), which became effective on January 31, 2020. The long-term effect of Brexit will depend on the terms negotiated between the UK and the EU, which may take years to complete and may include, among other things, greater restrictions on imports and exports between the UK and EU countries, fluctuations in currency exchange rates and additional regulatory complexity, as well as potential higher costs of conducting business in Europe. Any one or more of these factors could adversely affect our current or future international operations and business.

***The lack of an international title registry for containers increases the risk of ownership disputes.***

There is no internationally recognized system for recording or filing to evidence our title to containers nor is there an internationally recognized system for filing security interests in containers. Although this has not occurred to date, the lack of a title recordation system with respect to containers could result in disputes with lessees, end-users, or third parties who may improperly claim ownership of the containers.

***Certain liens may arise on our containers.***

Depot operators, container terminals, repairmen and transporters may come into possession of our containers from time to time and have sums due to them from the lessees or sublessees of the containers. In the event of nonpayment of those charges by the lessees or sublessees, we may be delayed in, or entirely barred from, taking possession of our containers, or we may be required to make payments or incur expenses to discharge such liens on the containers.

For example, in the aftermath of the Hanjin bankruptcy, we were forced to make substantial payments to container terminals, container depots and other parties who took possession of our containers previously on-hire to Hanjin and demanded to be reimbursed for payments owed to them by Hanjin as a condition for the release of our containers.

***Because of our significant international operations, we could be materially adversely affected by violations of the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and similar anti-corruption and anti-bribery laws and regulations.***

We operate on a global basis, with the vast majority of our revenue generated from leasing our containers to lessees for use in international trade. We also purchase the vast majority of our containers from manufacturers in China and are dependent on third-party depot operators to repair and store our containers in port locations throughout the world. Our business operations are subject to anti-corruption and anti-bribery laws and regulations, including restrictions imposed by the U.S. Foreign Corrupt Practices Act (the "FCPA"), the United Kingdom Bribery Act of 2010 (the "U.K. Bribery Act"), and the Bermuda Bribery Act 2016 ("Bermuda Bribery Act"). The FCPA, the U.K. Bribery Act, the Bermuda Bribery Act and similar anti-corruption and anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries and agents from making improper payments to government officials or any other persons for the purpose of obtaining or retaining business. Any determination of a violation or an investigation into violations of the FCPA, the U.K. Bribery Act, the Bermuda Bribery Act or similar anti-corruption and anti-bribery laws could have a material and adverse effect on our business, results of operations and financial condition.

***A failure to comply with United States Treasury and other economic sanctions laws and regulations and export control laws and regulations could have a material adverse effect on our business, results of operations or financial condition. We may be unable to ensure that our agents and/or customers comply with applicable sanctions and export control laws.***

We face several risks inherent in conducting our business internationally, including compliance with applicable economic sanctions laws and regulations, such as laws and regulations administered by the U.S. Department of Treasury's Office of Foreign Assets Control, the U.S. Department of State and the U.S. Department of Commerce. We must also comply with all applicable export control laws and regulations of the United States (including, but not limited to, the U.S. Export Administration Regulations) and other countries. Any determination of a violation or an investigation into violations of export controls or economic sanctions laws and regulations could result in significant criminal or civil fines, penalties or other sanctions and repercussions, including reputational harm that could materially affect our business, results of operations or financial condition.

***We may incur increased costs associated with the implementation of security regulations, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.***

We may be subject to regulations promulgated in various countries, including the United States, seeking to protect the integrity of international commerce and prevent the use of containers for international terrorism or other illicit activities. For example, the Container Safety Initiative, the Customs-Trade Partnership Against Terrorism and Operation Safe Commerce are among the programs administered by the U.S. Department of Homeland Security that are designed to enhance security for cargo moving throughout the international transportation system by identifying existing vulnerabilities in the supply chain and developing improved methods for ensuring the security of containerized cargo entering and leaving the United States. Moreover, the International Convention for Safe Containers, 1972 (CSC), as amended, adopted by the International Maritime Organization, applies to containers and seeks to maintain a high level of safety of human life in the transport and handling of containers by providing uniform international safety regulations. As these regulations develop and change, we may incur increased compliance costs due to the acquisition of new regulation compliant containers and/or the adaptation of existing containers to meet any new requirements imposed by such regulations. Additionally, certain companies are currently developing or may in the future develop products designed to enhance the security of containers transported in international commerce. We may adopt such products and may incur increased costs, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Terrorist attacks could negatively impact our operations and profitability and may expose us to liability and reputational damage.***

Terrorist attacks may negatively affect our operations and profitability. Such attacks have contributed to economic instability in the United States, Europe and elsewhere, and further acts of terrorism, violence or war could similarly affect world trade and the industries in which we and our customers operate. In addition, terrorist attacks or hostilities may directly impact ports our containers enter and exit, depots, our physical facilities or those of our suppliers or customers and could impact our sales and our supply chain. A severe disruption to the worldwide ports system and flow of goods could result in a reduction in the level of international trade and lower demand for our containers. The consequences of any terrorist attacks or hostilities are unpredictable, and we may not be able to foresee events that could have an adverse effect on our operations.

It is also possible that one of our containers could be involved in a terrorist attack. Although our lease agreements typically require our customers to indemnify us against all damages and liabilities arising out of the use of our containers and we carry insurance to potentially offset any costs in the event that our customer indemnifications prove to be insufficient, the insurance does not cover certain types of terrorist attacks and we may not be fully protected from liability or the reputational damage that could arise from a terrorist attack which utilizes one of our containers.

***Environmental liability may adversely affect our business and financial situation.***

We are subject to federal, state, local and foreign laws and regulations relating to the protection of the environment, including those governing the discharge of pollutants to air and water, the management and disposal of hazardous substances and wastes and the cleanup of contaminated sites. We could incur substantial costs, including cleanup costs, fines and third-party claims for property damage and personal injury, as a result of violations of or liabilities under environmental laws and regulations in connection with our current or historical operations. Under some environmental laws in the United States and certain other countries, the owner of a leased container may be liable for environmental damage, cleanup or other costs in the event of a spill or discharge of material from a container without regard to the owner's fault. We have not yet experienced any such claims, although we cannot assure you that we will not be subject to such claims in the future. Liability insurance policies, including ours, usually exclude claims for environmental damage. Some of our lessees may have separate insurance coverage for environmental damage, but we cannot assure you that any such policies would cover or otherwise offset any liability we may have as the owner of a leased container.

***A reduction in our level of continuing investment in our U.S. subsidiaries or future U.S. tax rule changes may negatively impact our income tax provisions or future cash tax payments.***

Our U.S. subsidiaries record tax provisions in their financial statements. Certain of these subsidiaries currently do not pay any meaningful U.S. income taxes primarily due to the benefit they currently receive, and we expect they will continue to receive, from accelerated tax depreciation of their container investments. A change in the rules governing the tax depreciation for these U.S. subsidiaries' containers, in particular, a change that increases the period over which they must depreciate their containers for tax purposes, could reduce or eliminate this tax benefit and significantly increase these U.S. subsidiaries' cash tax payments.

In addition, even under current tax rules, these U.S. subsidiaries will need to make ongoing investments in new containers in order to continue to benefit from the tax deferral generated by accelerated tax depreciation. If these U.S. subsidiaries are unable to do so, the favorable tax treatment from accelerated tax depreciation would diminish, and they could face significantly increased cash tax payments.

In addition, our net deferred tax liability balance includes a deferred tax asset for U.S. federal and various states resulting from net operating loss carryforwards. A reduction to our future earnings, which will lower taxable income, may require us to record a charge against earnings in the form of a valuation allowance, if it is determined that it is more likely than not that some or all of the loss carryforwards will not be realized.

The 2017 Tax Cuts and Jobs Act created a U.S. income tax limitation on companies' ability to deduct interest expense. Beginning in 2022, a company's net interest expense deduction will be limited to 30% of its current year taxable income before net interest expense. In future years, the benefit the U.S. subsidiaries receive from accelerated tax depreciation of their container investments is expected to result in annual interest expense limitations, which may significantly increase these U.S. subsidiaries' cash tax payments and our overall effective tax rate.

***Our U.S. investors could suffer adverse tax consequences if we are characterized as a passive foreign investment company for U.S. federal income tax purposes.***

Based upon the nature of our business activities, we may be classified as a passive foreign investment company ("PFIC") for U.S. federal income tax purposes. Such characterization could result in adverse U.S. tax consequences for direct or indirect U.S. investors in our common and preferred shares. For example, if we are a PFIC, our U.S. investors could become subject to increased tax liabilities under U.S. tax laws and regulations and could become subject to burdensome reporting requirements. The determination of whether or not we are a PFIC is made on an annual basis and depends on the composition of our income and assets from time to time. Specifically, for any taxable year, we will be classified as a PFIC for U.S. tax purposes if either:

- 75% or more of the our gross income in a taxable year is passive income; or

- the average percentage of our assets (which includes cash) by value in a taxable year which produce or are held for the production of passive income is at least 50%.

In applying these tests, we are treated as owning or generating directly our pro rata share of the assets and income of any corporation in which we own at least 25% by value. If you are a U.S. holder and we are a PFIC for any taxable year during which you own our common or preferred shares, you could be subject to adverse U.S. tax consequences. In such a case, under the PFIC rules, unless a U.S. holder is permitted to and does elect otherwise under the Code, such U.S. holder would be subject to special tax rules with respect to excess distributions and any gain from the disposition of our common or preferred shares. In particular, the excess distribution or gain will be treated as if it had been recognized ratably over the holder's holding period for our common and preferred shares, and amounts allocated to prior years starting with our first taxable year during which we were a PFIC will be subject to U.S. federal income tax at the highest prevailing tax rates on ordinary income for that year plus an interest charge.

Based on the composition of our income, valuation of our assets and our election to treat certain of our subsidiaries as disregarded entities for U.S. federal income tax purposes, we do not expect that we should be treated as a PFIC for the current taxable year or for the foreseeable future. However, because the PFIC determination in our case is made by taking into account all of the relevant facts and circumstances regarding our business without the benefit of clearly defined bright line rules, it is possible that we may be a PFIC for any taxable year or that the U.S. Internal Revenue Service (the "IRS") may challenge our determination concerning our PFIC status.

***We may become subject to unanticipated tax liabilities that may have a material adverse effect on our results of operations.***

We are a Bermuda company, and we believe that the income derived from our operations will not be subject to tax in Bermuda, which currently has no corporate income tax. We further believe that a significant portion of the income derived from our operations will not be subject to tax in many other countries in which our customers or containers are located. However, this belief is based on the anticipated nature and conduct of our business, which may change. It is also based on our understanding of the tax laws of the countries in which our customers use containers. The tax positions we take in various jurisdictions are subject to review and possible challenge by taxing authorities and to possible changes in law that may have retroactive effect. Due to the significant judgment required in estimating tax reserves, actual amounts paid, if any, could differ significantly from those estimates.

Bermuda recently enacted the Economic Substance Act 2018 requiring affected Bermuda registered companies to maintain a substantial economic presence in Bermuda. While detailed guidelines have yet to be finalized, this legislation could require us to incur substantial additional cost, and/or incur significant penalties and possibly require us to re-domicile our company to a jurisdiction with higher tax rates. Our results of operations could be materially and adversely affected if we become subject to these or other unanticipated tax liabilities.

***Fluctuations in foreign exchange rates could reduce our profitability.***

While the majority of our revenues and costs are billed in U.S. dollars, our operations and used container sales in locations outside of the U.S. have exposure to foreign currency. Most of our non-U.S. dollar transactions are individually small amounts and in various denominations and thus are not suitable for cost-effective hedging. Fluctuations in the value of foreign currencies relative to the U.S. dollar can negatively impact our cash flow and profitability.

In addition, trade growth and the direction of trade flows can be influenced by large changes in relative currency values, potentially leading to decreased demand for our containers or increased container positioning costs.

Most of our equipment fleet is manufactured in China. Although the purchase price is typically in U.S. dollars, our manufacturers pay labor and other costs in the local currency, the Chinese yuan. To the extent that our manufacturers' costs change due to changes in the valuation of the Chinese yuan, the dollar price we pay for equipment could be affected.

***Increases in the cost of or the lack of availability of contingent liability, physical damage and other insurance could increase our risk exposure and reduce our profitability.***

Our lessees and depots are required to maintain all risks physical damage insurance, comprehensive general liability insurance and to indemnify us against loss. We also maintain our own contingent liability insurance and off-hire physical damage insurance. Nevertheless, lessees' and depots' insurance or indemnities and our future insurance may not fully protect us. The cost of such insurance and other insurance policies we currently maintain may increase or become prohibitively expensive and such insurance may not continue to be available.

***The price of our common shares has been highly volatile and may decline regardless of our operating performance.***

The trading price of our common shares has been and is likely to remain highly volatile. Factors affecting the trading price of our common shares may include:

- broad market and industry factors, including global and political instability, trade actions, and interest rate and currency changes;
- variations in our financial results;
- changes in financial estimates or investment recommendations by securities analysts following our business;
- the public's response to our press releases, other public announcements and filings with the SEC;
- changes in accounting standards, policies, guidance or interpretations or principles;
- future sales of common shares by our directors, officers and significant shareholders;
- announcements of technological innovations or enhanced or new products by us or our competitors;
- the failure to achieve operating results consistent with securities analysts' projections;
- the operating and stock price performance of other companies that investors may deem comparable to us;
- changes in our dividend policy and share repurchase programs;
- fluctuations in the worldwide equity markets;
- recruitment or departure of key personnel;
- failure to timely address changing customer preferences; and
- other events or factors, including those resulting from, the perceived or actual threat of impending natural disasters, coups, terrorism, war, or other armed conflict, as well as the actual occurrence of such events or responses to such events.

In addition, if the market for intermodal equipment leasing company stocks or the stock market in general experiences a loss of investor confidence, the trading price of our common shares could decline for reasons unrelated to our business or financial results. The trading price of our common shares might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us.

***If securities analysts do not publish research or reports about our business or if they downgrade our shares, the price of our common shares could decline.***

The trading market for our common shares relies in part on research and reports that industry or financial analysts publish about us, our business or our industry. We have no influence or control over these analysts. In addition, regulatory changes such as Markets in Financial Instruments Regulation (MiFIR) have led to a reduction in the number of sell side research analysts covering companies of our size and our industry. If more of these analysts cease coverage of us, we could lose visibility in the market, which in turn could cause our share price to decline. Furthermore, if one or more analysts covering our Company downgrades our shares, the price of our shares could decline.

***Changes in laws and regulations could adversely affect our business.***

All aspects of our business, including leasing, pricing, sales, litigation and intellectual property rights are subject to extensive legislation and regulation. Changes in applicable federal and state laws and agency regulations, as well as the laws and regulations of foreign jurisdictions, could have a material adverse effect on our business.

***Future sales of our common or preferred shares, or the perception in the public markets that such sales may occur, may depress our share price.***

Sales of substantial amounts of our common and preferred shares in the public market or the perception that such sales could occur, could adversely affect the price of our common and preferred shares and could impair our ability to raise capital through the sale of additional shares and result in long-lived asset impairment.

In addition, to the extent that significant shareholders sell, or indicate an intent to sell, substantial amounts of our common and preferred shares in the public market, the trading price of our common and preferred shares could decline significantly. These factors could also make it more difficult for us to raise additional funds through future offerings of our common and preferred shares or other securities.

Issuing additional common and preferred shares or other equity securities or securities convertible into equity for financing or in connection with our incentive plans, acquisitions or otherwise may dilute the economic and voting rights of our existing shareholders or reduce the market price of our common and preferred shares or both. Upon liquidation, holders of our debt securities, if issued, and lenders with respect to other borrowings would receive a distribution of our available assets prior to the holders of our common and preferred shares. Debt securities convertible into equity could be subject to adjustments in the conversion ratio pursuant to which certain events may increase the number of equity securities issuable upon conversion. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, which may materially adversely affect the amount, timing or nature of future offerings. Thus, holders of our common and preferred shares bear the risk that our future offerings may reduce the market price of our common and preferred shares.

In the future, we may also issue securities in connection with investments or acquisitions. The amount of our common and preferred shares issued in connection with an investment or acquisition could constitute a material portion of our then-outstanding common and preferred shares. Any issuance of additional securities in connection with investments or acquisitions may result in dilution to shareholders.

***We are incorporated in Bermuda and a significant portion of our assets are located outside the United States. As a result, it may not be possible for shareholders to enforce civil liability provisions of the federal or state securities laws of the United States against the Company.***

We are incorporated under the laws of Bermuda and a significant portion of our assets are located outside the United States. It may not be possible to enforce court judgments obtained in the United States against us in Bermuda or in countries, other than the United States, where we will have assets, based on the civil liability provisions of the federal or state securities laws of the United States. In addition, there is some doubt as to whether the courts of Bermuda and other countries would recognize or enforce judgments of United States courts obtained against us or our officers or directors based on the civil liability provisions of the federal or state securities laws of the United States or would hear actions against us or those persons based on those laws. We have been advised by our legal advisors in Bermuda that the United States and Bermuda do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not based solely on United States federal or state securities laws, would not automatically be enforceable in Bermuda. Similarly, those judgments may not be enforceable in countries, other than the United States, where we have assets.

***Bermuda law differs from the laws in effect in the United States and may afford less protection to shareholders.***

Our shareholders might have more difficulty protecting their interests than would shareholders of a corporation incorporated in a jurisdiction of the United States. As a Bermuda company, we are governed by the Bermuda Companies Act. The Bermuda Companies Act differs in some material respects from laws generally applicable to United States corporations and shareholders, including the provisions relating to interested directors, mergers, amalgamations and acquisitions, takeovers, shareholder lawsuits and indemnification of directors. See "Description of Our Common Shares" in the Form S-4.

***Certain provisions of the Vestar Sponsor Shareholders Agreement, our memorandum of association and amended and restated bye-laws and Bermuda law could hinder, delay or prevent a change in control that you might consider favorable, which could also adversely affect the price of our common shares.***

Certain provisions under the Vestar Sponsor Shareholders Agreement, our memorandum of association and amended and restated bye-laws and Bermuda law could discourage, delay or prevent a transaction involving a change in control, even if doing so would benefit our shareholders. These provisions may include customary anti-takeover provisions and certain rights of the Vestar Sponsor Shareholders with respect to the designation of a director for nomination and election to our Board, including the ability to appoint a member to certain committees of the Board.

Anti-takeover provisions could substantially impede the ability of our public shareholders to benefit from a change in control or change of our management and Board of Directors and, as a result, may materially adversely affect the market price of our common shares and your ability to realize any potential change of control premium. These provisions could also discourage proxy contests and make it more difficult for you and other shareholders to elect directors of your choosing and to cause us to take other corporate actions you desire.

Further, our by-laws provide that we, on behalf of our subsidiaries, renounce any interest or expectancy we or our subsidiaries may have in (or in being offered an opportunity to participate in) business opportunities that are from time to time presented to any of the Vestar Sponsor Shareholders, and their affiliated funds, or any of their respective officers, directors, agents, shareholders, members, partners, affiliates and subsidiaries (other than us and our subsidiaries), even if the opportunity is one that we or our subsidiaries might reasonably be deemed to have pursued or had the ability or desire to pursue if granted the opportunity to do so. Our by-laws provide that no such person will be liable to us or any of our subsidiaries (for breach of any duty or otherwise), as a director or officer or otherwise, by reason of the fact that such person pursues or acquires such business opportunity, directs such business opportunity to another person or fails to present such business opportunity, or information regarding such business opportunity, to us or our subsidiaries; provided, that the foregoing will not apply to any such person who is a director or officer, if such business opportunity is expressly offered to such director or officer in writing solely in his or her capacity as a director or officer. This may cause the strategic interests of the Vestar Sponsor Shareholders to differ from, and conflict with, our interests and our other shareholders' interests in material respects.

***We may not be able to protect our intellectual property rights, and we may become subject to intellectual property challenges by others, which could materially affect our business.***

Our ability to obtain, protect and enforce our intellectual property rights is subject to general litigation risks, as well as the uncertainty as to the registrability, validity and enforceability of our intellectual property rights in each applicable country.

We rely on our trademarks to distinguish our services from the services of competitors, and have registered or applied to register a number of these trademarks. However, our trademark applications may not be approved. Third parties may also oppose our trademark applications or otherwise challenge our ownership or use of trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our products, which could result in loss of brand recognition and could require us to devote resources to advertising and marketing of these new brands. Additionally, from time to time, third parties adopt or use names similar to ours, thereby impeding our ability to build brand identity and possibly leading to consumer confusion or to dilution of our trademarks. We may not have sufficient resources or desire to defend or enforce our intellectual property rights, and even if we seek to enforce them, there is no guarantee that we will be able to prevent such third-party uses. Furthermore, such enforcement efforts may be expensive, time consuming and could divert management's attention from managing our business.

Third parties may also assert claims that we infringe their intellectual property rights and these claims, with or without merit, could be time-consuming to litigate, cause the Company to incur substantial costs and divert management resources and attention in defending the claim. In some jurisdictions, plaintiffs can also seek injunctive relief that may prevent the marketing and selling of our services that infringe on the plaintiff's intellectual property rights. To resolve these claims, we may enter into licensing agreements with restrictive terms or significant fees, stop selling or redesign affected services, or pay damages to satisfy contractual obligations to others. If we do not resolve these claims in advance of a trial, there is no guarantee that we will be successful in court. These outcomes may have a material adverse impact on our operating results and financial condition.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

*Office Locations.* As of December 31, 2019, our employees are located in 20 offices in 13 countries.

## ITEM 3. LEGAL PROCEEDINGS

From time to time we are a party to litigation matters arising in connection with the normal course of our business. While we cannot predict the outcome of these matters, in the opinion of our management, any liability arising from these matters will not have a material adverse effect on our business. Nevertheless, unexpected adverse future events, such as an unforeseen development in our existing proceedings, a significant increase in the number of new cases or changes in our current insurance arrangements could result in liabilities that have a material adverse impact on our business.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common shares have been listed on the NYSE under the symbol "TRTN" since July 13, 2016. Prior to that time, there was no public market for our common shares.

On February 7, 2020, there were 53 holders of record of our common shares and 34,302 beneficial holders, based on information obtained from our transfer agent.

The following table provides certain information with respect to our purchases of the Company's common shares during the fourth quarter for the year ended December 31, 2019.

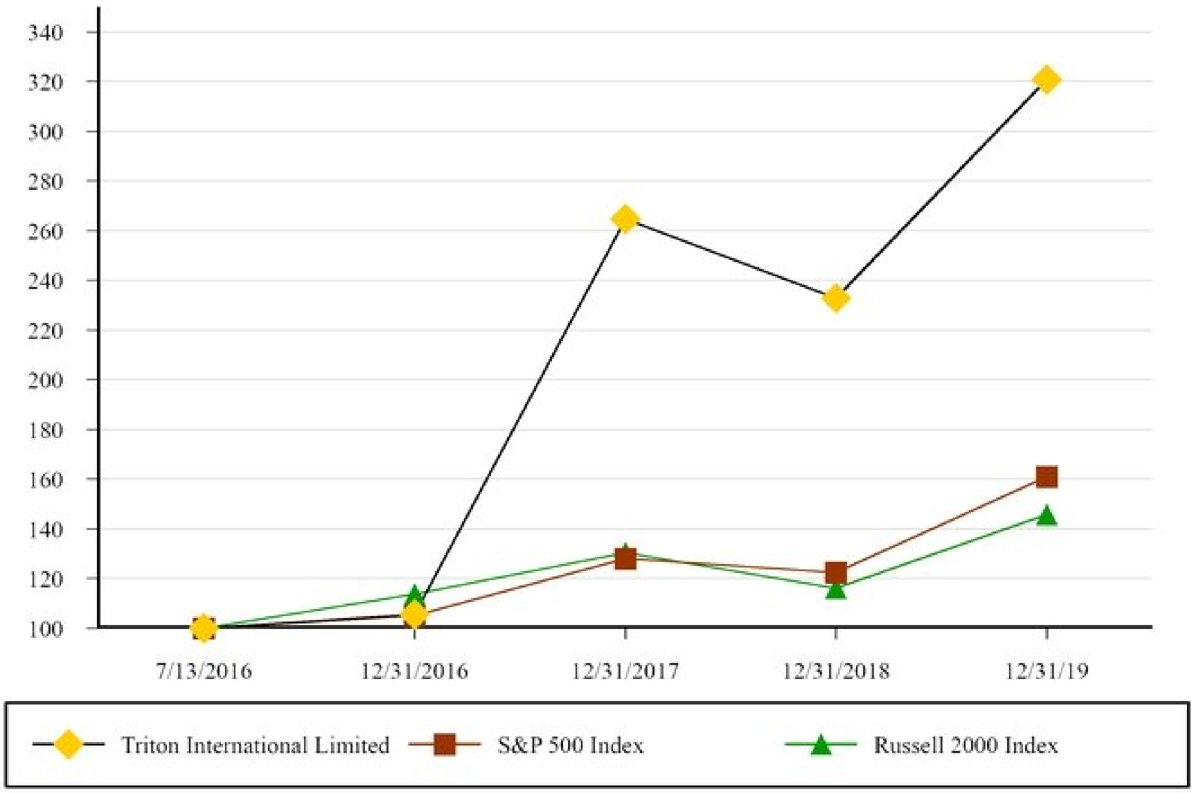
| | Issuer Purchases of Common Shares(1) | | | |
|---|---|---|---|---|
| Period | Total number of shares purchased | Average price paid per share | Total number of shares purchased as part of publicly announced plan | Approximate dollar value of shares that may yet be purchased under the plan (in thousands) |
| October 1, 2019 through October 31, 2019 | 300,483 | $ 33.90 | 300,483 | $ 84,654 |
| November 1, 2019 through November 30, 2019 | — | $ — | — | $ 84,654 |
| December 1, 2019 through December 31, 2019 | 28,551 | $ 37.91 | 28,551 | $ 83,571 |
| Total | 329,034 | $ 34.25 | 329,034 | $ 83,571 |

(1) On April 25, 2019, the Company's Board of Directors authorized a new $200.0 million repurchase program replacing the previous authorization. The share repurchase authorization will terminate upon completing repurchases of $200.0 million of common shares unless terminated earlier by the Board.

**Performance Graph**

The graph below compares our cumulative shareholder returns with the S&P 500 Stock Index and the Russell 2000 Stock Index for the period from July 13, 2016 (the first day our common shares were traded) through December 31, 2019. The graph assumes that the value of the investment in our common shares, the S&P 500 Stock Index and the Russell 2000 Stock Index was $100 on July 13, 2016 and that all dividends were reinvested.

**Comparison of Cumulative Total Return**
**July 13, 2016 through December 31, 2019**




| | Base Period as of | INDEXED RETURNS FOR THE YEARS ENDED | | | |
|---|---|---|---|---|---|
| Company / Index | July 13, 2016 | December 31, 2016 | December 31, 2017 | December 31, 2018 | December 31, 2019 |
| Triton International Limited | $100.00 | $105.49 | $264.66 | $232.76 | $320.75 |
| S&P 500 Index | $100.00 | $105.06 | $127.99 | $122.38 | $160.91 |
| Russell 2000 Index | $100.00 | $113.77 | $130.43 | $116.07 | $145.69 |

## ITEM 6. SELECTED FINANCIAL DATA

The following table summarizes certain selected historical financial, operating and other data of Triton. The selected historical consolidated statements of operations data, balance sheet data and other financial data for each of the five years ended December 31, 2019 were derived from the Company's audited Consolidated Financial Statements and related notes. The data below should be read in conjunction with, and is qualified by reference to, our Management's Discussion and Analysis and our Consolidated Financial Statements and notes thereto contained elsewhere in this report. The historical results are not necessarily indicative of the results to be expected in any future period. The following financial data for Triton included herein for the periods prior to the date of the Merger on July 12, 2016 are for TCIL operations alone as TCIL was treated as the acquirer in the Merger for accounting purposes.

| Statements of Operations Data: | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| | Year Ended December 31, (In thousands, except per share data) | | | | |
| Leasing revenues: | | | | | |
| Operating leases | $ 1,307,218 | $ 1,328,756 | $ 1,141,165 | $ 813,357 | $ 699,810 |
| Finance leases | 40,051 | 21,547 | 22,352 | 15,337 | 8,029 |
| **Total leasing revenues** | 1,347,269 | 1,350,303 | 1,163,517 | 828,694 | 707,839 |
| Equipment trading revenues[1] | 83,993 | 83,039 | 37,419 | 16,418 | — |
| Equipment trading expenses[1] | (69,485) | (64,118) | (33,235) | (15,800) | — |
| **Trading margin** | 14,508 | 18,921 | 4,184 | 618 | — |
| Net gain (loss) on sale of leasing equipment | 27,041 | 35,377 | 35,812 | (20,347) | 2,013 |
| Net gain (loss) on sale of building | — | 20,953 | — | — | — |
| **Operating expenses:** | | | | | |
| Depreciation and amortization | 536,131 | 545,138 | 500,720 | 392,592 | 300,470 |
| Direct operating expenses | 79,074 | 48,326 | 62,891 | 84,256 | 54,440 |
| Administrative expenses | 75,867 | 80,033 | 87,609 | 65,618 | 53,435 |
| Transaction and other costs[2] | — | 88 | 9,272 | 66,916 | 22,185 |
| Provision (reversal) for doubtful accounts | 590 | (231) | 3,347 | 23,304 | (2,156) |
| Insurance recovery income | — | — | (6,764) | — | — |
| Total operating expenses | 691,662 | 673,354 | 657,075 | 632,686 | 428,374 |
| Operating income | 697,156 | 752,200 | 546,438 | 176,279 | 281,478 |
| **Other expenses (income):** | | | | | |
| Interest and debt expense | 316,170 | 322,731 | 282,347 | 184,014 | 140,644 |
| Realized (gain) loss on derivative instruments, net | (2,237) | (2,072) | 900 | 3,438 | 5,496 |
| Unrealized (gain) loss on derivative instruments, net[3] | 3,107 | 430 | (1,397) | (4,405) | 2,240 |
| Debt termination expense | 2,543 | 6,090 | 6,973 | 141 | 1,170 |
| Other (income) expense, net | (3,257) | (2,292) | (2,637) | (1,076) | 211 |
| **Total other expenses** | 316,326 | 324,887 | 286,186 | 182,112 | 149,761 |
| Income (loss) before income taxes | 380,830 | 427,313 | 260,252 | (5,833) | 131,717 |
| Income tax expense (benefit) | 27,551 | 70,641 | (93,274) | (48) | 4,048 |
| Net income (loss) | $ 353,279 | $ 356,672 | $ 353,526 | $ (5,785) | $ 127,669 |
| Less: income attributable to noncontrolling interest | 592 | 7,117 | 8,928 | 7,732 | 16,580 |
| Less: dividend on preferred shares | 13,646 | — | — | — | — |
| **Net income (loss) attributable to shareholders** | $ 339,041 | $ 349,555 | $ 344,598 | $ (13,517) | $ 111,089 |
| **Earnings Per Share Data:** | | | | | |
| Net income (loss) per common share—Basic | $ 4.57 | $ 4.38 | $ 4.55 | $ (0.24) | $ 2.75 |
| Net income (loss) per common share—Diluted | $ 4.54 | $ 4.35 | $ 4.52 | $ (0.24) | $ 2.71 |
| Weighted average common shares and non-voting common shares outstanding: | | | | | |
| Basic | 74,190 | 79,782 | 75,679 | 56,032 | 40,429 |
| Diluted | 74,700 | 80,364 | 76,188 | 56,032 | 40,932 |
| Cash dividends paid per common share | $ 2.08 | $ 2.01 | $ 1.80 | $ 1.35 | $ — |

(1) Triton acquired the Equipment trading segment as part of the Merger on July 12, 2016 and had no such reporting segment prior to that date.
(2) Includes retention and stock compensation expense pursuant to the Merger and the plans established as part of TCIL's 2011 re-capitalization.
(3) Unrealized (gains) losses on derivative instruments, net are primarily due to changes in interest rates, and reflect changes in the fair value of interest rate swaps not designated as cash flow hedges.

| | As of December 31, (In thousands) | | | | |
|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| **Balance Sheet Data (end of period):** | | | | | |
| Cash and cash equivalents (including restricted cash) | $ 168,972 | $ 159,539 | $ 226,171 | $ 163,492 | $ 79,264 |
| Accounts receivable, net | 210,697 | 264,382 | 199,876 | 173,585 | 110,970 |
| Revenue earning assets, net | 8,920,393 | 9,467,969 | 8,703,570 | 7,817,192 | 4,428,699 |
| Total assets | 9,642,633 | 10,270,013 | 9,577,625 | 8,713,571 | 4,658,997 |
| Debt, net of unamortized debt costs | 6,631,525 | 7,529,432 | 6,911,725 | 6,353,449 | 3,166,903 |
| Shareholders' equity | 2,532,237 | 2,203,696 | 2,076,284 | 1,663,233 | 1,217,329 |
| Noncontrolling interests[1] | — | 121,513 | 133,542 | 143,504 | 160,504 |
| Total equity (including noncontrolling interests) | 2,532,237 | 2,325,209 | 2,209,826 | 1,806,737 | 1,377,833 |
| **Other Financial Data:** | | | | | |
| Capital expenditures | 240,170 | 1,603,507 | 1,562,863 | 629,332 | 398,799 |
| Proceeds from sale of equipment, net of selling costs | 217,296 | 163,256 | 190,744 | 145,572 | 171,719 |

(1) The Company acquired all of the remaining third-party partnership interests in Triton Container Investments LLC during 2019.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described under "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" as discussed elsewhere in this Form 10-K. Our actual results may differ materially from those contained in or implied by any forward-looking statements.*

### Our Company

Triton International Limited ("Triton", "we", "our" or the "Company") is the world's largest lessor of intermodal containers. Intermodal containers are large, standardized steel boxes used to transport freight by ship, rail or truck. Because of the handling efficiencies they provide, intermodal containers are the primary means by which many goods and materials are shipped internationally. We also lease chassis, which are used for the transportation of containers.

We operate our business in one industry, intermodal transportation equipment, and have two business segments, which also represent our reporting segments:

- Equipment leasing - we own, lease and ultimately dispose of containers and chassis from our lease fleet.
- Equipment trading - we purchase containers from shipping line customers, and other sellers of containers, and resell these containers to container retailers and users of containers for storage or one-way shipment.

### Operations

Our consolidated operations include the acquisition, leasing, re-leasing and subsequent sale of multiple types of intermodal containers and chassis. As of December 31, 2019, our total fleet consisted of 3.6 million containers and chassis, representing 6.1 million TEU or 6.9 million CEU. Our primary customers include the world's largest container shipping lines. For the year ended December 31, 2019, our twenty largest customers accounted for 85% of our lease billings, our five largest customers accounted for 53% of our lease billings, and our two largest customers, CMA CGM S.A. and Mediterranean Shipping Company S.A., accounted for 21% and 14% of our lease billings, respectively.

Effective December 31, 2019, we revised our CEU factors to be more in line with the cost of new containers over the last several years. These new CEU factors are generally consistent with those published by the International Institute for Container Lessors ("IICL") and may differ among companies in the industry. We use the CEU factors to measure the size and performance of our container fleet.

The change in CEU factors reduced the size of our fleet on a CEU basis by roughly 8% as of December 31, 2019 and the majority of this change was due to a reduction in the CEU factor for forty-foot high cube refrigerated containers from 10.0 to 7.5. The utilization of our fleet on a CEU basis remained largely unchanged as the utilization of our refrigerated containers was in line with other container types. Fleet size and utilization information have been updated with these revised factors for all periods presented.

The most important driver of profitability in our business is the extent to which leasing revenues, which are driven by our owned equipment fleet size, utilization and average lease rates, exceed our ownership and operating costs. Our profitability is also driven by the gains or losses we realize on the sale of used containers in the ordinary course of our business.

We lease five types of equipment: (1) dry containers, which are used for general cargo such as manufactured component parts, consumer staples, electronics and apparel, (2) refrigerated containers, which are used for perishable items such as fresh and frozen foods, (3) special containers, which are used for heavy and over-sized cargo such as marble slabs, building products and machinery, (4) tank containers, which are used to transport bulk liquid products such as chemicals, and (5) chassis, which are used for the transportation of containers. Our in-house equipment sales group manages the sale process for our used containers and chassis from our equipment leasing fleet and buys and sells used and new containers and chassis acquired from third parties.

The following tables summarize our equipment fleet as of December 31, 2019, 2018 and 2017, indicated in units, TEU and CEU.

| | Equipment Fleet in Units | | | Equipment Fleet in TEU | | |
|---|---|---|---|---|---|---|
| | December 31, 2019 | December 31, 2018 | December 31, 2017 | December 31, 2019 | December 31, 2018 | December 31, 2017 |
| Dry | 3,267,624 | 3,340,946 | 3,077,144 | 5,369,377 | 5,476,406 | 5,000,043 |
| Refrigerated | 225,520 | 228,778 | 218,429 | 435,148 | 440,781 | 419,673 |
| Special | 94,453 | 93,900 | 89,066 | 171,437 | 169,614 | 159,172 |
| Tank | 12,485 | 12,509 | 12,124 | 12,485 | 12,509 | 12,124 |
| Chassis | 24,515 | 24,832 | 22,523 | 45,154 | 45,787 | 41,068 |
| Equipment leasing fleet | 3,624,597 | 3,700,965 | 3,419,286 | 6,033,601 | 6,145,097 | 5,632,080 |
| Equipment trading fleet | 17,906 | 13,138 | 10,510 | 27,121 | 21,361 | 16,907 |
| Total | 3,642,503 | 3,714,103 | 3,429,796 | 6,060,722 | 6,166,458 | 5,648,987 |

| | Equipment Fleet in CEU(1) | | |
|---|---|---|---|
| | December 31, 2019 | December 31, 2018 | December 31, 2017 |
| Operating Leases | 6,434,434 | 6,532,172 | 6,165,649 |
| Finance Leases | 423,638 | 442,585 | 286,970 |
| Equipment trading fleet | 37,232 | 39,008 | 40,891 |
| Total | 6,895,304 | 7,013,765 | 6,493,510 |

(1) In the equipment fleet tables above, we have included total fleet count information based on CEU. CEU is a ratio used to convert the actual number of containers in our fleet to a figure based on the relative purchase prices of our various equipment types to that of a 20-foot dry container. For example, the CEU ratio for a 40-foot high cube dry container is 1.70, and a 40-foot high cube refrigerated container is 7.50. These factors may differ slightly from CEU ratios used by others in the industry.

The following table summarizes the percentage of our equipment fleet in terms of units and CEU as of December 31, 2019:

| Equipment Type | Percentage of total fleet in units | Percent of total fleet in CEU |
|---|---|---|
| Dry | 89.7% | 68.5% |
| Refrigerated | 6.2 | 24.2 |
| Special | 2.6 | 3.5 |
| Tank | 0.3 | 1.4 |
| Chassis | 0.7 | 1.9 |
| Equipment leasing fleet | 99.5 | 99.5 |
| Equipment trading fleet | 0.5 | 0.5 |
| **Total** | 100.0% | 100.0% |

We generally lease our equipment on a per diem basis to our customers under three types of leases:

- Long-term leases typically have initial contractual terms ranging from three to eight years and provide us with stable cash flow and low transaction costs by requiring customers to maintain specific units on-hire for the duration of the lease.
- Finance leases are typically structured as full payout leases and provide for a predictable recurring revenue stream with the lowest cost to the customer as customers are generally required to retain the equipment for the duration of its useful life.
- Service leases command a premium per diem rate in exchange for providing customers with greater operational flexibility by allowing non-scheduled pick-up and drop-off of units during the lease term.

We also have expired long-term leases whose fixed terms have ended but for which the related units remain on-hire and for which we continue to receive rental payments pursuant to the terms of the initial contract. Some leases have contractual terms that have features reflective of both long-term and service leases and we classify such leases as either long-term or service leases, depending upon which features we believe are predominant.

The following table summarizes our lease portfolio by lease type, based on CEU on-hire as of December 31, 2019, 2018 and 2017:

| Lease Portfolio | December 31, 2019 | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| Long-term leases | 69.5% | 66.7% | 71.3% |
| Finance leases | 6.8 | 6.7 | 4.7 |
| Service leases | 7.8 | 11.8 | 14.8 |
| Expired long-term leases (units on-hire) | 15.9 | 14.8 | 9.2 |
| Total | 100.0% | 100.0% | 100.0% |

As of December 31, 2019, 2018 and 2017, our long-term and finance leases combined had an average remaining contractual term of approximately 48 months, 47 months, and 44 months, respectively, assuming no leases are renewed.

**Operating Performance**

Triton faced challenging market conditions during 2019, though our performance remained solid. Global containerized trade growth decreased in 2019 due to generally soft global economic conditions and the trade dispute between the United States and China, which resulted in increased tariffs and other trade restrictions. Low trade growth in 2019 led to decreased container and leasing demand, decreased new container prices and decreased market leasing rates. However, container supply was generally well balanced in 2019 due to reduced production of new containers, and our utilization and used container sale prices finished 2019 at fairly strong levels despite facing pressure throughout the year. We were also able to redirect our cash flow from capital spending to other high value uses including share repurchases and purchasing the third-party minority interests in a portfolio of our containers.

***Fleet size.*** During 2019, we invested $242.5 million in new containers compared to $856.1 million of combined depreciation expense, book value of container disposals, and principal payments on finance leases. As of December 31, 2019, our fleet had a net book value of $8.9 billion, which represents a decrease of 5.8% as compared to December 31, 2018.

The decrease in net book value of our revenue earning assets as reflected on the balance sheet from December 31, 2018 to December 31, 2019 was due to limited procurement in 2019, reflecting low trade growth, weak leasing demand, and low new lease transaction activity. Aggressive competition among leasing companies also led to reduced projected returns on new container investments and caused us to further restrict new container investments.

However, due to stronger market conditions in 2018, our much higher levels of container investments, and our resulting strong fleet growth during 2018, our average fleet size and the average net book value of our revenue earning assets increased from 2018 to 2019 despite our limited procurement. The change in average balances drives change in our annual leasing revenue and depreciation, and leasing revenue and depreciation expense decreased only slightly in 2019 despite the larger decrease in our fleet size over the course of the year. Similarly, the decrease in our fleet size during 2019 will limit our ability to increase our average fleet size and annual leasing revenue from 2019 to 2020 even if we significantly increase capital spending in 2020.

***Utilization[(1)].*** Our utilization averaged 96.9% during 2019, as compared to 98.6% in 2018. Our ending utilization was 95.4% as of December 31, 2019, as compared to 97.9% as of December 31, 2018. Our utilization decreased throughout 2019 due to low trade growth and weak leasing demand. However, container supply was generally well balanced in 2019 due to reduced production of new containers, and our utilization decreased gradually. As of February 7, 2020, our utilization was 95.5%.

The following tables summarize our equipment fleet utilization for the periods indicated below:

| | Year Ended | Quarter Ended | | | |
|---|---|---|---|---|---|
| Average Utilization | December 31, | December 31, | September 30, | June 30, | March 31, |
| 2019 | 96.9% | 95.8% | 96.7% | 97.2% | 97.7% |
| 2018 | 98.6% | 98.3% | 98.8% | 98.8% | 98.8% |
| 2017 | 97.1% | 98.4% | 97.8% | 96.6% | 95.4% |

| | Quarter Ended | | | |
|---|---|---|---|---|
| **Ending Utilization** | **December 31,** | **September 30,** | **June 30,** | **March 31,** |
| 2019 | 95.4% | 96.4% | 97.1% | 97.4% |
| 2018 | 97.9% | 98.7% | 98.8% | 98.8% |
| 2017 | 98.7% | 98.2% | 97.3% | 95.9% |

(1) Utilization is computed by dividing our total units on lease (in CEU) by the total units in our fleet (in CEU) excluding new units not yet leased and off-hire units designated for sale.

***Average lease rates.*** Average lease rates for our dry container product line decreased by 1.6% in 2019 compared to 2018, primarily reflecting the impact of several large lease extensions completed during 2019 at rates below our portfolio average. Market lease rates were low throughout 2019 due to weak lease demand, a decrease in new container prices, a decrease in interest rates and aggressive competition for available lease transactions. Market lease rates are currently well below our average portfolio lease rates. Our average dry container lease rates will continue to trend down if new container prices remain at their current level.

Average lease rates for our refrigerated container product line decreased by 4.3% in 2019 compared to 2018. The cost of refrigerated containers has trended down over the last few years, which has led to lower market lease rates. Market lease rates for refrigerated containers have also been pressured for several years by new leasing company entrants. Market lease rates for refrigerated containers remain below the average lease rates of our refrigerated container lease portfolio, and we expect our average lease rates for refrigerated containers to continue to gradually trend down.

The average lease rates for our special container product line decreased by 0.2% in 2019 compared to 2018. Current market lease rates for special containers are below the average lease rates in our lease portfolio, but we experienced limited lease renewal and new lease activity in 2019.

***Equipment disposals.*** Disposal volumes of our used dry containers increased by 65.2% in 2019, mainly as a result of increased container redeliveries. Average used dry container disposal prices decreased by 10.5% in 2019 as compared to 2018, reflecting an increase in inventories of containers held for sale and lower new container prices. We continue to generate gains on used container disposals as our average used container selling prices currently are above our accounting residual values.

***Credit Risk.*** We had minimal credit losses in 2019. However, our credit risk remains elevated due to the ongoing financial pressure faced by our shipping line customers. The container shipping industry has faced several years of weak freight rates and poor financial results due to excess vessel capacity resulting from aggressive ordering of mega container vessels, compounded this year by lower than expected trade growth. A number of our customers have recently generated financial losses and many are burdened with high levels of debt. In addition, we anticipate the high volume of new vessels entering service over the next several years will complicate our customers' efforts to increase freight rates. Furthermore, new environmental regulations that are effective in January 2020 will increase the cost of fuel and have caused our shipping line customers to make large capital outlays. As a result, we expect our customers' financial performance will remain under pressure for some time. The tariffs imposed on certain goods traded between the United States and China and the uncertainty surrounding future trade agreements could lead to reduced trade and lower freight rates and further increase the financial pressure on our customers.

We currently have a credit insurance policy covering accounts receivable owed by some of our customers. This policy offers significantly reduced protections against a major customer default compared to the credit insurance policy we had in place prior to 2018. In addition, this policy has exclusions and other limitations.

***Coronavirus Outbreak***. We have been closely following developments relating to the recent novel coronavirus outbreak in China. The quarantines and related work and travel restrictions implemented in China to contain the outbreak have significantly reduced factory production, which has led to very low volumes of exports from China in February 2020 and reduced container demand. We expect the disruptions and resulting export reductions to continue through the first quarter of 2020. Beyond then, the impact of the coronavirus outbreak on our business is unclear. Previous trade disruptions have had a mix of positive and negative impacts on container supply and demand. The balance of these effects in this case will likely be driven by how long the disruptions last and whether economic disruptions spread to other countries.

## Liquidity and Capital Resources

Our principal sources of liquidity are cash flows provided by operating activities, proceeds from the sale of our leasing equipment, and borrowings under our credit facilities. Our principal uses of cash include capital expenditures, debt service requirements, paying dividends, and repurchasing our common shares.

For the year ended December 31, 2019, cash provided by operating activities, together with the proceeds from the sale of our leasing equipment, was $1,279.2 million. In addition, as of December 31, 2019 we had $62.3 million of cash and cash equivalents and $1,580.0 million of additional borrowing capacity under our current credit facilities.

As of December 31, 2019, our cash commitments in the next 12 months include $825.7 million of scheduled principal payments on our existing debt facilities, and $67.4 million of committed but unpaid capital expenditures.

We believe that cash provided by operating activities, existing cash, proceeds from the sale of our leasing equipment, and availability under our borrowing facilities will be sufficient to meet our obligations over the next twelve months.

### *Preferred Share Issuances*

In 2019, the Company completed several series of preferred share offerings ("Series") and generated gross proceeds of $405.0 million. The Series were issued with dividend rates between 7.375% and 8.50%. For more information, please refer to Note 10 - "Other Equity Matters" in Part IV, Item 15 of this Annual Report on Form 10-K.

### *Share Repurchase Program*

During the year ended December 31, 2019, the Company repurchased 6,918,197 common shares at an average price per-share of $31.82 for a total of $220.1 million. As of February 7, 2020, the Company has a total of $80.2 million remaining under its share repurchase program.

### *Dividends*

During the year ended December 31, 2019, the Company paid $12.3 million of dividends related to preferred shares. Additionally, the Company paid dividends on outstanding common shares totaling $153.9 million and $160.3 million for the years ended December 31, 2019 and 2018, respectively. For more information, please see Note 10 - "Other Equity Matters" in Part IV, Item 15 of this Annual Report on Form 10-K.

### *Debt Agreements*

As of December 31, 2019 and 2018, our outstanding indebtedness was comprised of the following (amounts in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Institutional notes | $ 1,957.6 | $ 2,198.2 |
| Asset-backed securitization term notes | 2,719.2 | 3,063.8 |
| Term loan facilities | 1,200.4 | 1,543.4 |
| Asset-backed securitization warehouse | 370.0 | 340.0 |
| Revolving credit facilities | 410.0 | 375.0 |
| Finance lease obligations | 27.0 | 75.5 |
| Total debt outstanding | $ 6,684.2 | $ 7,595.9 |
| Unamortized debt costs | (39.8) | (44.9) |
| Unamortized debt premiums & discounts | (4.1) | (5.3) |
| Unamortized fair value debt adjustment | (8.8) | (16.3) |
| Debt, net of unamortized costs | $ 6,631.5 | $ 7,529.4 |

The maximum 2019 borrowing levels for the Asset-backed Securitization warehouse ("ABS") and the revolving credit facility are $800.0 million and $1,560.0 million, respectively. These facilities are governed by borrowing bases that limit borrowing capacity to an established percentage of relevant assets. As of December 31, 2019, the actual availability under these credit facilities was approximately $845.9 million.

As of December 31, 2019, we had a combined $5,783.5 million of total debt on facilities with fixed interest rates or floating interest rates that have been synthetically fixed through interest rate swap contracts. This accounts for 87% of total debt.

Pursuant to the terms of certain debt agreements, we are also required to maintain certain restricted cash accounts. As of December 31, 2019, we had restricted cash of $106.7 million.

For additional information on our debt, please see Note 6 - "Debt" in Part IV, Item 15 of this Annual Report on Form 10-K.

***Debt Covenants***

We are subject to certain financial covenants related to leverage, interest coverage and net worth as defined in our debt agreements. The debt agreements are the obligations of our subsidiaries and all related debt covenants are calculated at the subsidiary level. Failure to comply with these covenants could result in a default under the related credit agreements and the acceleration of our outstanding debt if we were unable to obtain a waiver from the creditors. As of December 31, 2019, we were in compliance with all covenants. The table below reflects the key covenants for the Company that cover the majority of our debt agreements:

| | TCIL | | TAL | |
|---|---|---|---|---|
| **Financial Covenant** | **Covenant** | **Actual** | **Covenant** | **Actual** |
| Fixed charge coverage ratio | Shall not be less than 1.25:1 | 2.76:1 | Shall not be less than 1.10:1 | 2.21:1 |
| Minimum net worth | Shall not be less than $855 million | $2,105.3 million | Shall not be less than $500 million | $881.7 million |
| Leverage ratio | Shall not exceed 4.0:1 | 1.87:1 | Shall not exceed 4.75:1 | 2.30:1 |

## Cash Flow

The following table sets forth certain cash flow information for the years ended December 31, 2019, 2018, and 2017 (in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| Net cash provided by (used in) operating activities | $ 1,061,906 | $ 994,222 | $ 867,468 |
| Net cash provided by (used in) investing activities | $ (23,720) | $ (1,412,781) | $ (1,372,064) |
| Net cash provided by (used in) financing activities | $ (1,028,753) | $ 351,927 | $ 567,275 |

***Operating Activities***

Net cash provided by operating activities increased by $67.7 million to $1,061.9 million in 2019, compared to $994.2 million in 2018. The change was primarily due to the timing of collections in accounts receivable partially offset by a decrease in pre-tax income as a result of lower utilization.

Net cash provided by operating activities increased by $126.7 million to $994.2 million in 2018, compared to $867.5 million in 2017. The change was primarily due to an increase in pre-tax income as a result of a larger fleet size and higher utilization.

***Investing Activities***

Net cash used in investing activities decreased by $1,389.1 million to $23.7 million in 2019 compared to $1,412.8 million in 2018 primarily due to a $1,363.3 million decrease in leasing equipment purchases.

Net cash used in investing activities increased by $40.7 million to $1,412.8 million in 2018 compared to $1,372.1 million in 2017 primarily due to an increase in purchases of leasing equipment and a decrease in the volume of container disposals.

***Financing Activities***

Net cash used in financing activities increased by $1,380.7 million to $1,028.8 million in 2019 compared to cash provided by financing activities of $351.9 million in 2018. The increase was primarily due to net debt payments in 2019 as a result of limited procurement in 2019, compared to substantial net borrowings made in 2018 to finance much larger investments in our container fleet. Additionally, in 2019 we repurchased common shares for $222.2 million and acquired all third party partnership interests in Triton Container Investments LLC for $103.0 million. These uses of cash in 2019 were partially offset by net proceeds of $392.2 million from preferred share offerings.

Net cash provided by financing activities decreased by $215.3 million to $351.9 million in 2018 compared to $567.3 million in 2017. The decrease was primarily due to proceeds of $192.9 million from issuances of common shares in 2017 compared with no issuance in 2018. Additionally, $56.3 million of the decrease was due to the repurchase of common shares in 2018. These changes were partially offset by an increase in net borrowings.

## Results of Operations

The following table summarizes our results of operations for the years ended December 31, 2019, 2018 and 2017 (in thousands):

| | Year Ended December 31, | | | Variance | |
|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2019 vs 2018 | 2018 vs 2017 |
| Leasing revenues: | | | | | |
| Operating leases | $ 1,307,218 | $ 1,328,756 | $ 1,141,165 | $ (21,538) | $ 187,591 |
| Finance leases | 40,051 | 21,547 | 22,352 | 18,504 | (805) |
| **Total leasing revenues** | 1,347,269 | 1,350,303 | 1,163,517 | (3,034) | 186,786 |
| | | | | | |
| Equipment trading revenues | 83,993 | 83,039 | 37,419 | 954 | 45,620 |
| Equipment trading expenses | (69,485) | (64,118) | (33,235) | (5,367) | (30,883) |
| **Trading margin** | 14,508 | 18,921 | 4,184 | (4,413) | 14,737 |
| | | | | | |
| Net gain (loss) on sale of leasing equipment | 27,041 | 35,377 | 35,812 | (8,336) | (435) |
| Net gain (loss) on sale of building | — | 20,953 | — | (20,953) | 20,953 |
| | | | | | |
| **Operating expenses:** | | | | | |
| Depreciation and amortization | 536,131 | 545,138 | 500,720 | (9,007) | 44,418 |
| Direct operating expenses | 79,074 | 48,326 | 62,891 | 30,748 | (14,565) |
| Administrative expenses | 75,867 | 80,033 | 87,609 | (4,166) | (7,576) |
| Transaction and other costs (income) | — | 88 | 9,272 | (88) | (9,184) |
| Provision (reversal) for doubtful accounts | 590 | (231) | 3,347 | 821 | (3,578) |
| Insurance recovery income | — | — | (6,764) | — | 6,764 |
| Total operating expenses | 691,662 | 673,354 | 657,075 | 18,308 | 16,279 |
| Operating income (loss) | 697,156 | 752,200 | 546,438 | (55,044) | 205,762 |
| **Other expenses:** | | | | | |
| Interest and debt expense | 316,170 | 322,731 | 282,347 | (6,561) | 40,384 |
| Realized (gain) loss on derivative instruments, net | (2,237) | (2,072) | 900 | (165) | (2,972) |
| Unrealized (gain) loss on derivative instruments, net | 3,107 | 430 | (1,397) | 2,677 | 1,827 |
| Debt termination expense | 2,543 | 6,090 | 6,973 | (3,547) | (883) |
| Other (income) expense, net | (3,257) | (2,292) | (2,637) | (965) | 345 |
| **Total other expenses** | 316,326 | 324,887 | 286,186 | (8,561) | 38,701 |
| Income (loss) before income taxes | 380,830 | 427,313 | 260,252 | (46,483) | 167,061 |
| Income tax expense (benefit) | 27,551 | 70,641 | (93,274) | (43,090) | 163,915 |
| **Net income (loss)** | $ 353,279 | $ 356,672 | $ 353,526 | $ (3,393) | $ 3,146 |
| Less: income (loss) attributable to noncontrolling interest | 592 | 7,117 | 8,928 | (6,525) | (1,811) |
| Less: dividend on preferred shares | 13,646 | — | — | 13,646 | — |
| **Net income (loss) attributable to common shareholders** | $ 339,041 | $ 349,555 | $ 344,598 | $ (10,514) | $ 4,957 |

**Comparison of the Year Ended December 31, 2019 to the Year Ended December 31, 2018**

***Leasing revenues.*** Per diem revenues represent revenue earned under operating lease contracts. Fee and ancillary lease revenues represent fees billed for the pick-up and drop-off of containers in certain geographic locations and billings of certain reimbursable operating costs such as repair and handling expenses. Finance lease revenues represent interest income earned under finance lease contracts. The following table summarizes our leasing revenues for the periods indicated below (in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| **Leasing revenues** | **2019** | **2018** | **Variance** |
| Operating lease revenues: | | | |
| Per diem revenues | $ 1,244,297 | $ 1,278,354 | $ (34,057) |
| Fee and ancillary revenues | 62,921 | 50,402 | 12,519 |
| Total operating lease revenues | 1,307,218 | 1,328,756 | (21,538) |
| Finance lease revenues | 40,051 | 21,547 | 18,504 |
| Total leasing revenues | $ 1,347,269 | $ 1,350,303 | $ (3,034) |

Total leasing revenues were $1,347.3 million, net of lease intangible amortization of $36.8 million, in 2019 compared to $1,350.3 million, net of lease intangible amortization of $61.5 million, in 2018, a decrease of $3.0 million.

Per diem revenues were $1,244.3 million in 2019 compared to $1,278.4 million in 2018, a decrease of $34.1 million. The primary reasons for this decrease are as follows:

- $32.7 million decrease due to the reclassification of certain contracts from operating leases to finance leases in the fourth quarter of 2018 as a result of the renegotiation and extension of the contracts;
- $21.4 million decrease due to a decrease in average CEU per diem rates; and
- $4.6 million decrease due to a decline in average units on-hire during the year; partially offset by
- $24.7 million increase due to a decrease in lease intangible amortization.

Fee and ancillary lease revenues were $62.9 million in 2019 compared to $50.4 million in 2018, an increase of $12.5 million. The increase was primarily due to an increase in redelivery fees as a result of a 52% increase in the volume of redeliveries.

Finance lease revenues were $40.1 million in 2019 compared to $21.5 million in 2018, an increase of $18.6 million. The increase was due to the addition of several finance leases, primarily in the fourth quarter of 2018, as a result of the renegotiation and extension of certain contracts that were reclassified from operating leases to finance leases. This increase was partially offset by the runoff of the existing portfolio.

***Trading margin.*** Trading margin was $14.5 million in 2019 compared to $18.9 million in 2018, a decrease of $4.4 million. The decrease was primarily due to a decrease in per unit margins, partially offset by an increase in trading volume.

***Net gain (loss) on sale of leasing equipment.*** Gain on sale of equipment was $27.0 million in 2019 compared to $35.4 million in 2018, a decrease of $8.4 million. The decrease was primarily due to a 10.5% decrease in average used dry container selling prices, partially offset by a 65.2% increase in selling volumes.

***Net gain (loss) on sale of building.*** On April 20, 2018 we completed the sale of an office building for net proceeds of $27.6 million and recognized a gain of $21.0 million.

***Depreciation and amortization.*** Depreciation and amortization was $536.1 million in 2019 compared to $545.1 million in 2018, a decrease of $9.0 million. The primary reasons for this decrease are as follows:

- $17.7 million decrease due to the reclassification of certain contracts from operating leases to finance leases in the fourth quarter of 2018 as a result of the renegotiation and extension of the contracts; and
- $16.9 million decrease due to an increase in the number of containers that are fully depreciated; partially offset by a
- $26.7 million increase due to a net increase in the average size of our depreciable fleet.

***Direct operating expenses.*** Direct operating expenses primarily consist of our costs to repair equipment returned off lease, to store the equipment when it is not on lease and reposition equipment from locations with weak leasing demand. Direct operating expenses were $79.1 million in 2019 compared to $48.3 million in 2018, an increase of $30.8 million. The primary reasons for the increase are as follows:

- $20.5 million increase in storage expense due to an increase in idle units; and
- $8.6 million increase in repair and handling expense due to an increase in the volume of redeliveries.

***Administrative expenses.*** Administrative expenses were $75.9 million in 2019 compared to $80.0 million in 2018, a decrease of $4.1 million. The primary reasons for this decrease are as follows:

- $2.5 million decrease due to a decrease in employee incentive compensation; and
- $2.0 million decrease due to a decrease in professional fees.

***Interest and debt expense.*** Interest and debt expense was $316.2 million in 2019 compared to $322.7 million in 2018, a decrease of $6.5 million. The primary reasons for this decrease are as follows:

- $5.8 million decrease due to a reduction in the average effective interest rate to 4.31% in 2019 compared to 4.39% in 2018; and
- $0.7 million decrease due to a slight reduction in the average debt balance outstanding.

***Realized (gain) loss on derivative instruments, net.*** Realized gain on derivative instruments, net was $2.2 million in 2019, compared to $2.1 million in 2018, an increase of $0.1 million. The increase is primarily due to an increase in the average one-month LIBOR rate, mostly offset by the reduction of the underlying derivative notional amounts due to the amortization of certain interest rate swap contracts during the year ended December 31, 2019.

***Unrealized loss (gain) on derivative instruments, net.*** Unrealized loss on derivative instruments, net was $3.1 million in 2019, compared to $0.4 million in 2018, an increase of $2.7 million. The unrealized loss in 2019 was primarily due to a decrease in long-term interest rates during 2019.

***Debt termination expense.*** Debt termination expense was $2.5 million in 2019 compared to $6.1 million in 2018. The decrease of $3.6 million was mainly due to fewer debt facilities being amended or terminated in 2019.

***Income taxes.*** Income tax expense was $27.6 million in 2019 compared to $70.6 million in 2018, a decrease in income tax expense of $43.0 million. The primary reasons for this decrease are as follows:

- $24.7 million decrease related to a taxable gain in 2018 from a U.S. entity to foreign entity intra-company asset sale that did not re-occur in 2019;
- $8.9 million decrease due to an increase in the portion of income generated in lower tax jurisdictions during 2019; and
- $4.7 million decrease due to a decrease in pre-tax income.

***Income attributable to noncontrolling interests.*** Income attributable to noncontrolling interests was $0.6 million in 2019 compared to $7.1 million in 2018, a decrease of $6.5 million. All third-party partnership interests in Triton Container Investments LLC were acquired by the company during the first half of 2019.

**Comparison of the Year Ended December 31, 2018 to the Year Ended December 31, 2017**

***Leasing revenues.*** Per diem revenues represent revenue earned under operating lease contracts. Fee and ancillary lease revenues represent fees billed for the pick-up and drop-off of containers in certain geographic locations and billings of certain reimbursable operating costs such as repair and handling expenses. Finance lease revenues represent interest income earned under finance lease contracts. The following table summarizes our leasing revenues for the periods indicated below (in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| **Leasing revenues** | **2018** | **2017** | **Variance** |
| Operating lease revenues: | | | |
| Per diem revenues | $ 1,278,354 | $ 1,100,507 | $ 177,847 |
| Fee and ancillary revenues | 50,402 | 40,658 | 9,744 |
| Total operating lease revenues | 1,328,756 | 1,141,165 | 187,591 |
| Finance lease revenues | 21,547 | 22,352 | (805) |
| Total leasing revenues | $ 1,350,303 | $ 1,163,517 | $ 186,786 |

Total leasing revenues were $1,350.3 million, net of lease intangible amortization of $61.5 million, in 2018 compared to $1,163.5 million, net of lease intangible amortization of $88.6 million, in 2017, an increase of $186.8 million.

Per diem revenues were $1,278.4 million in 2018 compared to $1,100.5 million in 2017, an increase of $177.9 million. The primary reasons for this increase are as follows:

- $133.4 million increase due to an increase of 650,140 CEU in the average number of containers on-hire under operating leases;
- $23.9 million increase due to an increase in average CEU per diem rates;
- $27.1 million increase due to reduced lease intangible amortization; partially offset by
- $6.6 million decrease due to the reclassification of certain contracts from operating leases to finance leases in the fourth quarter of 2018 as a result of the renegotiation and extension of the contracts.

Fee and ancillary lease revenues were $50.4 million in 2018 compared to $40.7 million in 2017, an increase of $9.7 million. The increase was primarily due to higher redelivery and repair fee revenue of $11.0 million associated with higher volumes of redeliveries, especially in the fourth quarter of 2018, partially offset by reduced handling fees of $1.3 million.

Finance lease revenues were $21.5 million in 2018 compared to $22.4 million in 2017, a decrease of $0.9 million. The scheduled runoff of the existing portfolio was partially offset by the addition of several finance leases, primarily in the fourth quarter of 2018, as a result of the renegotiation and extension of certain contracts that were reclassified from operating leases to finance leases.

***Trading margin.*** Trading margin was $18.9 million in 2018 compared to $4.2 million in 2017, an increase of $14.7 million. The primary reasons for this increase are as follows:

- $11.3 million increase due to an increase in trading volume; and
- $3.4 million increase due to an increase in per unit margin.

***Net gain (loss) on sale of leasing equipment.*** Gain on sale of equipment was $35.4 million in 2018 compared to a gain on sale of equipment of $35.8 million in 2017, a decrease of $0.4 million. The decrease was primarily due to a 27.3% reduction in the volume of containers sold, partially offset by a 20.9% increase in average used container selling prices.

***Net gain (loss) on sale of building.*** On April 20, 2018 we completed the sale of an office building for net proceeds of $27.6 million and recognized a gain of $21.0 million.

***Depreciation and amortization.*** Depreciation and amortization was $545.1 million in 2018 compared to $500.7 million in 2017, an increase of $44.4 million. The primary reasons for this increase are as follows:

- $66.6 million increase due to a net increase in the size of our depreciable fleet; partially offset by a
- $13.6 million decrease due to an increase in the number of containers that are fully depreciated;
- $5.8 million decrease due to an increase in other fully depreciated assets; and
- $3.5 million decrease due to the reclassification of certain contracts from operating leases to finance leases in the fourth quarter of 2018 as a result of the renegotiation and extension of the contracts.

***Direct operating expenses.*** Direct operating expenses primarily consist of our costs to repair equipment returned off lease, store the equipment when it is not on lease and reposition equipment that has been returned to locations with weak leasing demand. Direct operating expenses were $48.3 million in 2018 compared to $62.9 million in 2017, a decrease of $14.6 million. The primary reasons for the decrease are as follows:

- $15.4 million decrease due to a decrease in storage, handling, and repositioning costs due to a decrease in the average number of our containers that were off-hire during the year;
- $1.5 million decrease due to a decrease in inspection costs due to less new equipment purchases; partially offset by a
- $2.2 million increase due to an increase in repair costs as a result of an increase in the volume of redeliveries in the fourth quarter of 2018.

***Administrative expenses.*** Administrative expenses were $80.0 million in 2018 compared to $87.6 million in 2017, a decrease of $7.6 million. The decrease was primarily due to a decrease in payroll and benefit expenses and professional fees of $6.9 million partially offset by an increase in foreign currency exchange loss of $1.1 million due to a stronger U.S. dollar.

***Transaction and other costs (income).*** Transaction and other costs include severance and employee compensation costs, legal costs and other professional fees related to the Merger in 2016. Transaction and other costs were minimal in 2018 compared to $9.3 million in 2017. We accrued employee severance expenses in 2017, while Merger related activities were mostly complete by the start of 2018.

***Provision for doubtful accounts.*** Provision for doubtful accounts was a benefit of $0.2 million in 2018 compared to $3.3 million expense in 2017, a decrease of $3.5 million. The decrease in 2018 was due to recoveries of previously reserved balances as well as a decrease in new provisions.

***Insurance recovery income.*** There was no significant insurance recovery income in 2018 compared to $6.8 million in 2017. The insurance recovery income was due to the recognition of income related to the satisfaction of our credit insurance claims with respect to the lease default by Hanjin in 2016.

***Interest and debt expense.*** Interest and debt expense was $322.7 million in 2018 compared to $282.3 million in 2017, an increase of $40.4 million. The primary reasons for this increase are as follows:

- $22.3 million increase due to an increase in the average debt balance of $531.0 million during 2018 compared to 2017; and
- $18.1 million increase due to an increase in the average effective interest rate to 4.39% in 2018 compared to 4.14% in 2017. The increase in the effective interest rate was primarily due to an increase in short-term interest rates on our unhedged variable-rate debt facilities.

***Realized (gain) loss on derivative instruments, net.*** Realized gain on derivative instruments, net was $2.1 million in 2018, compared to a loss of $0.9 million in 2017, an increase of $3.0 million. The increase is primarily due to an increase in average one-month LIBOR, partially offset by a reduction of the underlying swap notional amounts due to the amortization, terminations and expirations of certain interest rate swap contracts.

***Unrealized loss (gain) on derivative instruments, net.*** Unrealized loss on derivative instruments, net was $0.4 million in 2018, compared to a gain of $1.4 million in 2017, a decrease of $1.8 million. The unrealized loss in 2018 was due to a decrease in long-term interest rates compared to an increase in long-term interest rates in the comparative period in 2017. The loss was partially offset by a decrease in the notional value of our swap portfolio.

***Debt termination expense.*** Debt termination expense was $6.1 million in 2018 compared to $7.0 million in 2017. The decrease of $0.9 million was mainly due to fewer debt facilities being amended or terminated.

***Income taxes.*** Income tax expense was $70.6 million in 2018 compared to an income tax benefit of $93.3 million in 2017, an increase in income tax expense of $163.9 million. The primary reasons for the increase are as follows:

- $24.7 million increase related to a U.S. entity to foreign entity intra-company asset sale; and
- $139.4 million increase due to a one-time tax benefit recorded in 2017 that did not reoccur. The one-time benefit in 2017 reflected a decrease in our deferred tax liability resulting from the reduction of the U.S. corporate tax rate from 35% to 21% as part of the U.S. Tax Cuts and Jobs Act.

***Income attributable to noncontrolling interests.*** Income attributable to noncontrolling interests was $7.1 million in 2018 compared to $8.9 million in 2017, a decrease of $1.8 million. The decrease is primarily due to a reduction in the size of the portfolio of containers owned by the entity in which the noncontrolling interests maintain their ownership.

**Segments**

Our leasing segment is discussed in our results of operations comparisons and the trading segment is discussed in the trading margin comparison within the results of operations comparisons.

For additional information on our segments, please see Note 11 - "Segment and Geographic Information" in Part IV, Item 15 of this Annual Report on Form 10-K.

**Contractual Obligations**

We are party to various operating and finance leases and are obligated to make payments related to our borrowings. We are also obligated under various commercial commitments, including obligations to our equipment manufacturers. Our equipment manufacturer obligations are in the form of conventional accounts payable and are satisfied by cash flows from operations and financing activities.

The following table summarizes our contractual obligations and commercial commitments as of December 31, 2019:

| | Contractual Obligations by Period | | | | | | |
|---|---|---|---|---|---|---|---|
| **Contractual Obligations:** | **Total** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025 and thereafter** |
| | (dollars in millions) | | | | | | |
| Principal debt obligations | $ 6,657.1 | $ 822.5 | $ 827.1 | $ 1,048.9 | $ 1,638.1 | $ 1,052.2 | $ 1,268.3 |
| Interest on debt obligations(1) | 955.4 | 255.1 | 220.6 | 183.0 | 141.7 | 78.0 | 77.0 |
| Finance lease obligations(2) | 30.7 | 4.4 | 4.4 | 4.4 | 4.4 | 13.1 | — |
| Operating leases (mainly facilities) | 9.9 | 3.3 | 2.8 | 2.3 | 1.4 | 0.1 | — |
| Purchase obligations: | | | | | | | |
| Equipment purchases payable | 24.7 | 24.7 | — | — | — | — | — |
| Equipment purchase commitments | 42.7 | 42.7 | — | — | — | — | — |
| Total contractual obligations | $ 7,720.5 | $ 1,152.7 | $ 1,054.9 | $ 1,238.6 | $ 1,785.6 | $ 1,143.4 | $ 1,345.3 |

(1) Amounts include actual interest for fixed debt, estimated interest for floating-rate debt and interest rate swaps which are in a payable position based on December 31, 2019 rates.
(2) Amounts include interest.

**Off-Balance Sheet Arrangements**

As of December 31, 2019, we did not have any relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements. We are, therefore, not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

## Critical Accounting Policies

Our consolidated financial statements have been prepared in conformity with GAAP, which requires us to make estimates and assumptions that affect the amounts and disclosures reported in the consolidated financial statements and accompanying notes. We base our estimates and judgments on historical experience and on various other assumptions that we believe are reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

### *Leasing Equipment*

We purchase new equipment from equipment manufacturers for the purpose of leasing such equipment to customers. We also purchase used equipment with the intention of selling such equipment in one or more years from the date of purchase.

Leasing equipment is recorded at cost and depreciated to an estimated residual value on a straight-line basis over the estimated useful lives. Capitalized costs for new container rental equipment include the manufactured cost of the container, inspection, delivery, and associated costs incurred in moving the container from the manufacturer to the initial on-hire location of such container. Repair and maintenance costs that do not extend the lives of the container rental equipment are charged to direct operating expenses at the time the costs are incurred.

The estimated useful lives and residual values of our leasing equipment are based on historical disposal experience and our expectations for future used container sale prices. We review the estimates used in our depreciation policies on a regular basis to determine whether changes have taken place that would suggest that a change in our depreciation estimates of useful lives of our equipment or the assigned residual values is warranted. For 2019, the Company completed its annual depreciation policy review during the fourth quarter and concluded no change was necessary.

The estimated useful lives and residual values for each major equipment type for the periods are indicated below as follows:

| | As of December 31, 2019 and 2018 | |
|---|---|---|
| **Equipment Type** | **Depreciable Life** | **Residual Value** |
| Dry containers | | |
| 20-foot dry container | 13 years | $ 1,000 |
| 40-foot dry container | 13 years | $ 1,200 |
| 40-foot high cube dry container | 13 years | $ 1,400 |
| Refrigerated containers | | |
| 20-foot refrigerated container | 12 years | $ 2,350 |
| 40-foot high cube refrigerated container | 12 years | $ 3,350 |
| Special containers | | |
| 40-foot flat rack container | 16 years | $ 1,700 |
| 40-foot open top container | 16 years | $ 2,300 |
| Tank containers | 20 years | $ 3,000 |
| Chassis | 20 years | $ 1,200 |

Depreciation on leasing equipment commences on the date of initial on-hire.

For leasing equipment purchased for resale that may be leased for a period of time, we adjust our estimates for remaining useful life and residual values based on current conditions in the sales market for older containers and our expectations for how long the equipment will remain on-hire to the current lessee.

The net book value of our leasing equipment by equipment type is as follows (in thousands):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Dry container | $ 6,308,038 | $ 6,666,560 |
| Refrigerated container | 1,520,747 | 1,676,331 |
| Special container | 321,099 | 322,607 |
| Tank container | 101,677 | 107,284 |
| Chassis | 140,986 | 150,669 |
| Total | $ 8,392,547 | $ 8,923,451 |

Included in the amounts above are units not on lease at December 31, 2019 and 2018 with a total net book value of $721.7 million and $551.1 million, respectively. Depreciation on equipment purchased under finance lease obligations is included in depreciation and amortization expense on the consolidated statements of operations.

***Valuation of Leasing Equipment***

Leasing equipment is reviewed for impairment whenever events or changes in circumstances indicate that its carrying value may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of the carrying value to its estimated undiscounted future cash flows expected to be generated by the asset. If the carrying value of an asset exceeds our estimated undiscounted future cash flows, an impairment charge is recognized in the amount by which the carrying value of the asset exceeds the fair value of the asset. Key indicators of impairment on leasing equipment include, among other factors, a sustained decrease in operating profitability, a sustained decrease in utilization, or indications of technological obsolescence.

When testing for impairment, leasing equipment is generally grouped by equipment type, and is tested separately from other groups of assets and liabilities. Some of the significant estimates and assumptions used to determine future undiscounted cash flows and the measurement for impairment are the remaining useful life, expected utilization, expected future lease rates and expected disposal prices of the equipment. We consider the assumptions on expected utilization and the remaining useful life to have the greatest impact on its estimate of future undiscounted cash flows. These estimates are principally based on our historical experience and management's judgment of market conditions.

We did not record any impairment charges related to leasing equipment for the years ended December 31, 2019, 2018, and 2017.

***Equipment Held for Sale***

When leasing equipment is returned off lease, we make a determination of whether to repair and re-lease the equipment or sell the equipment. At the time we determine that equipment will be sold, we reclassify the appropriate amounts previously recorded as leasing equipment to equipment held for sale. Equipment held for sale is carried at the lower of its estimated fair value, based on current transactions, less costs to sell, or carrying value. Depreciation expense on equipment held for sale is halted and disposals generally occur within 90 days. Initial write downs of equipment held for sale are recorded as an impairment charge and are included in net gain or loss on sale of leasing equipment. Subsequent increases or decreases to the fair value of those assets are recorded as adjustments to the carrying value of the equipment held for sale, however, any such adjustments may not exceed the respective equipment's carrying value at the time it was initially classified as held for sale. Realized gains and losses resulting from the sale of equipment held for sale are recorded as net gain or loss on sale of leasing equipment, and cash flows associated with the disposal of equipment held for sale are classified as cash flows from investing activities.

Equipment purchased for resale and included in the Equipment Trading segment is reported as equipment held for sale when the time frame between when equipment is purchased and when it is sold is expected to be less than one year.

During the years ended December 31, 2019, 2018 and 2017, we recorded the following net gains or losses on equipment held for sale on the consolidated statements of operations (in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Impairment (loss) reversal on equipment held for sale | $ (5,299) | $ (3,933) | $ 3 |
| Gain (loss) on sale of equipment, net of selling costs | 32,340 | 39,310 | 35,809 |
| Net gain on sale of leasing equipment | $ 27,041 | $ 35,377 | $ 35,812 |

***Goodwill***

Goodwill is tested for impairment at least annually on October 31 of each fiscal year or more frequently if events occur or circumstances exist that indicate that the fair value of a reporting unit may be below its carrying value. Goodwill has been allocated to our reporting units which are also our operating segments.

In evaluating goodwill for impairment, we have the option to first assess qualitative factors to determine whether further impairment testing is necessary. Among other relevant events and circumstances that affect the fair value of reporting units, we consider individual factors such as macroeconomic conditions, changes in our industry and the markets in which we operate, as well as our reporting units' historical and expected future financial performance. If, after assessing the totality of events or circumstances, we determine it is more-likely-than-not that the fair value of a reporting unit is greater than our carrying amount, then the quantitative goodwill impairment test is unnecessary. The quantitative goodwill impairment test compares the fair value of a reporting unit with our carrying amount, including goodwill. If the carrying amount of the reporting unit is less than its fair value, no impairment exists. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

We elected to perform the qualitative assessment for our evaluation of goodwill impairment during the year ended December 31, 2019 and concluded there was no impairment. Since inception through December 31, 2019, we did not have any goodwill impairment.

For additional information on our accounting policies, please see Note 2 - "Summary of Significant Accounting Policies" in Part IV, Item 15 of this Annual Report on Form 10-K.

***Recent Accounting Pronouncements***

See Note 2 - "Summary of Significant Accounting Policies" in Part IV, Item 15 of this Annual Report on Form 10-K for a full description of recent accounting pronouncements.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss to future earnings, values or cash flows that may result from changes in the price of a financial instrument. The fair value of a financial instrument, derivative or non-derivative, might change as a result of changes in interest rates, exchange rates, commodity prices, equity prices and other market changes. We have operations internationally and we are exposed to market risks in the ordinary course of our business. These risks include interest rate and foreign currency exchange rate risks.

***Interest Rate Risk***

We enter into derivative agreements to fix the interest rates on a portion of our floating-rate debt. We assess and manage the external and internal risk associated with these derivative instruments in accordance with our overall operating goals. External risk is defined as those risks outside of our direct control, including counterparty credit risk, liquidity risk, systemic risk and legal risk. Internal risk relates to those operational risks within the management oversight structure and includes actions taken in contravention of our policies.

The primary external risk of our derivative agreements is counterparty credit exposure, which is defined as the ability of a counterparty to perform its financial obligations under the agreement. All of our derivative agreements are with highly-rated financial institutions. Credit exposures are measured based on the market value of outstanding derivative instruments. Both current and potential exposures are calculated for each derivative agreement to monitor counterparty credit exposure.

As of December 31, 2019, we had derivative agreements in place to fix interest rates on a portion of our borrowings under debt facilities with floating interest rates as summarized below:

| Derivatives | Notional Amount | Weighted Average Fixed Leg (Pay) Interest Rate | Cap Rate | Weighted Average Remaining Term |
|---|---|---|---|---|
| Interest Rate Swap(1) | $1,799.2 million | 2.02% | n/a | 5.1 years |
| Interest Rate Cap | $200.0 million | n/a | 5.5% | 2.0 years |

(1) The impact of forward starting swaps with total notional amount of $550.0 million will increase the weighted average remaining term to 6.7 years.

Certain of our derivative agreements are designated as cash flow hedges for accounting purposes, and any unrealized gains or losses related to the changes in fair value are recognized in accumulated other comprehensive income (loss) and reclassified to interest and debt expense as they are realized. A portion of our swap portfolio is not designated and changes in the fair value of non-designated interest rate swap agreements are recognized in the consolidated statements of operations as unrealized (gain) loss on derivative instruments, net and reclassified to realized (gain) loss on derivative instruments, net as they are realized.

Approximately 87% of our debt is either fixed or hedged using derivative instruments, which helps mitigate the impact of changes in short-term interest rates. However, a 100 basis point increase in the interest rates on our unhedged debt (primarily LIBOR) would result in an increase of approximately $9.1 million in interest expense over the next 12 months.

***Foreign currency exchange rate risk***

Although we have significant foreign-based operations, the majority of our revenues and our operating expenses are denominated in U.S. dollars. However, we pay our non-U.S. employees in local currencies and certain operating expenses are denominated in foreign currencies. Net foreign currency exchange gains and losses during the years ended December 31, 2019, 2018, and 2017 were immaterial.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements and financial statement schedules listed under Item 15—Exhibits and Financial Statement Schedules are filed as a part of this Item 8. Supplementary financial information may be found in Note 15 to the Consolidated Financial Statements.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

### Management's Report Regarding the Effectiveness of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Senior Vice President and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. Based upon management's evaluation of these disclosure controls and procedures, our Chief Executive Officer and our Senior Vice President and Chief Financial Officer concluded, as of the end of the period covered by this Annual Report on Form 10-K, that our disclosure controls and procedures were effective.

### Management's Report on Internal Control Over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

We assessed our internal control over financial reporting as of December 31, 2019 and based our assessment on criteria established in Internal Control-*Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on our assessment, we have concluded that our internal control over financial reporting was effective as of December 31, 2019.

KPMG LLP, an independent registered public accounting firm, has audited the consolidated financial statements included in this Annual Report on Form 10-K and, as part of the audit, has issued a report on the effectiveness of our internal control over financial reporting as of December 31, 2019.

#### ***Changes in Internal Controls***

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the three months ended December 31, 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Report of Independent Registered Public Accounting Firm**

To the Shareholders and Board of Directors
Triton International Limited:

*Opinion on Internal Control Over Financial Reporting*

We have audited Triton International Limited and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control* - *Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes and financial statement Schedule I - Condensed Financial Information of Registrant and Schedule II - Valuation and Qualifying Accounts (collectively, the consolidated financial statements), and our report dated February 14, 2020 expressed an unqualified opinion on those consolidated financial statements.

*Basis for Opinion*

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

*Definition and Limitations of Internal Control Over Financial Reporting*

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

New York, New York
February 14, 2020

## ITEM 9B. OTHER INFORMATION

Not applicable.

# PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is incorporated herein by reference from the sections captioned "Election of Directors", "Information About Our Executive Officers" and "Delinquent Section 16(a) Reports" in our proxy statement to be issued in connection with the Annual General Meeting of Shareholders to be held on April 21, 2020, which will be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2019 (the "2020 Proxy Statement").

## ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference from the sections captioned "Director Compensation Table", "Compensation Discussion and Analysis", "Summary Compensation Table", and "Grants of Plan-Based Awards Table", "CEO Pay Ratio", and the other tables and information following the "Grants of Plan-Based Awards Table" in the 2020 Proxy Statement.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The information required by this Item is incorporated herein by reference from the sections captioned "Equity Compensation Plan Information" and "Information Regarding Beneficial Ownership of Management and Principal Shareholders" in the 2020 Proxy Statement.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated herein by reference from the sections captioned "Certain Relationships and Related Party Transactions" and "Corporate Governance" in the 2020 Proxy Statement.

## ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated herein by reference from the section captioned "Audit Fees" in the 2020 Proxy Statement.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) *Financial Statements*

The following financial statements are included in Item 8 of this report:



(a)(2) *Financial Statement Schedules*

The following financial statement schedules for the Company are filed as part of this report:



Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the accompanying Consolidated Financial Statements or notes thereto.

(a)(3) *List of Exhibits*

The following exhibits are filed as part of and incorporated by reference into this Annual Report on Form 10-K:

| Exhibit No. | | Description |
|---|---|---|
| 3.1 | | Amended and Restated By-Laws of Triton International Limited, dated July 12, 2016 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed July 14, 2016) |
| 4.1 | | Memorandum of Association of Triton International Limited, dated September 29, 2015 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q, filed June 23, 2016) |
| 4.2 | | Certificate of Designations of 8.50% Series A Cumulative Redeemable Perpetual Preference Shares (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed March 14, 2019) |
| 4.3 | | Certificate of Designations of 8.00% Series B Cumulative Redeemable Perpetual Preference Shares (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed June 20, 2019) |
| 4.4 | | Certificate of Designations of 7.375% Series C Cumulative Redeemable Perpetual Preference Shares (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed November 6, 2019) |
| 4.5 | | Certificate of Designations of 6.875% Series D Cumulative Redeemable Perpetual Preference Shares (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed January 21, 2020) |
| 4.6 | * | Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 |

| Exhibit No. | | Description |
|---|---|---|
| 4.7 | | As permitted by Item 601(b)(4)(iii)(A) of Regulation S-K, the Company has not filed with this Annual Report on Form 10-K certain instruments defining the rights of holders of long-term debt of the Company and its subsidiaries because the total amount of securities authorized under any of such instruments does not exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis. The Company agrees to furnish a copy of any such agreements to the Securities and Exchange Commission upon request. |
| 10.1 | | Triton Container International Limited 2016 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed July 14, 2016) |
| 10.2 | | Triton International Limited 2016 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed July 14, 2016) |
| 10.3 | | Vestar Shareholders Agreement, as amended (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K, filed July 14, 2016) |
| 10.4 | | Tenth Restated and Amended Credit Agreement, dated as of May 16, 2019, by and among Triton Container International Limited and TAL International Container Corporation, as Borrowers, various lenders, and Bank of America, N.A., as Administrative Agent and an Issuer, and other parties thereto (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, filed on July 25, 2019) |
| 10.5 | | Term Loan Agreement dated as of November 30, 2018 by and among Triton Container International Limited, as Borrower, various lenders, and PNC Bank, National Association, as a lender and Administrative Agent (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 2018, filed February 19, 2019) |
| 10.6 | * | Consultant Agreement dated as of January 1, 2020 between Triton Container International, Incorporated and Marc Pearlin |
| 21.1 | * | List of Subsidiaries |
| 23.1 | * | Consent of Independent Registered Public Accounting Firm |
| 24.1 | * | Powers of Attorney (included on the signature page to this Annual Report on Form 10-K) |
| 31.1 | * | Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended |
| 31.2 | * | Certification of the Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended |
| 32.1 | ** | Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350 |
| 32.2 | ** | Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350 |
| 101.INS | | XBRL Instance Document - the instance document does not appear on the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document |
| 101.SCH | | XBRL Instance Extension Schema |
| 101.CAL | | XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF | | XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB | | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | | XBRL Taxonomy Extension Presentation Linkbase |
| 104 | | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

† Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Registrant will furnish the omitted schedules to the U.S. Securities and Exchange Commission upon request by the Commission.

* Filed herewith.

** Furnished herewith.

**(b) Exhibits.**

The Company hereby files as part of this Annual Report on Form 10-K the exhibits listed in Item 15(a)(3) set forth above.

**(c) Financial Statement Schedules**

The Company hereby files as part of this Annual Report on Form 10-K the financial statement schedule listed in Item 15(a)(2) set forth above.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**TRITON INTERNATIONAL LIMITED**

Date: February 14, 2020

By: /s/ BRIAN M. SONDEY

Brian M. Sondey
*Chairman of the Board, Director and Chief Executive Officer*

## POWER OF ATTORNEY AND SIGNATURES

We, the undersigned officers and directors of Triton International Limited hereby severally constitute and appoint Brian M. Sondey and John Burns and each of them singly, our true and lawful attorneys, with the power to them and each of them singly, to sign for us and in our names in the capacities indicated below, any amendments to this Annual Report on Form 10-K, and generally to do all things in our names and on our behalf in such capacities to enable Triton International Limited to comply with the provisions of the Securities Exchange Act of 1934, as amended, and all the requirements of the Securities and Exchange Commission.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant, in the capacities indicated, on the 14th day of February, 2020.

| Signature | Title(s) |
|---|---|
| /s/ BRIAN M. SONDEY<br>Brian M. Sondey | Chairman of the Board, Director and Chief Executive Officer |
| /s/ JOHN BURNS<br>John Burns | Chief Financial Officer |
| /s/ MICHELLE GALLAGHER<br>Michelle Gallagher | Vice President and Controller (Principal Accounting Officer) |
| /s/ ROBERT L. ROSNER<br>Robert L. Rosner | Lead Director |
| /s/ ROBERT W. ALSPAUGH<br>Robert W. Alspaugh | Director |
| /s/ KAREN AUSTIN<br>Karen Austin | Director |
| /s/ MALCOLM P. BAKER<br>Malcolm P. Baker | Director |
| /s/ DAVID A. COULTER<br>David A. Coulter | Director |
| /s/ CLAUDE GERMAIN<br>Claude Germain | Director |
| /s/ KENNETH HANAU<br>Kenneth Hanau | Director |
| /s/ JOHN S. HEXTALL<br>John S. Hextall | Director |
| /s/ SIMON R. VERNON<br>Simon R. Vernon | Director |

## INDEX TO FINANCIAL STATEMENTS

## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Triton International Limited:

*Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of Triton International Limited and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes and financial statement Schedule I - Condensed Financial Information of Registrant and Schedule II - Valuation and Qualifying Accounts (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 14, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

*Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

*Critical Audit Matter*

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgment. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Assessment of residual values of leasing equipment*

As discussed in Note 2 to the consolidated financial statements, the net book value of leasing equipment as of December 31, 2019 was $8.4 billion. Leasing equipment is recorded at cost and depreciated to an estimated residual value on a straight-line basis over the estimated useful lives. To determine the residual values of leasing equipment, the Company evaluates historical disposal experience and expectations of future used container sales prices.

We identified the assessment of residual values of leasing equipment as a critical audit matter. This was due to the high degree of auditor judgment required in evaluating the nature of audit evidence obtained over the key assumption related to future used container sales prices.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's residual value estimation process, including controls over the key assumption used to estimate residual values of leasing equipment. We tested historical used container sales of the Company by examining historical sales invoices and considered their relevance and reliability to the residual values of leasing equipment. We assessed the mathematical accuracy of the average selling prices. We compared the average selling prices to current residual values. We compared trends identified by the Company within its historical data to published reports of industry commentators. We performed sensitivity analyses of the average selling price for used containers based on historical data. We compared the estimated residual values to publicly available peer data.

/s/ KPMG LLP

We have served as the Company's auditor since 2014.

New York, New York
February 14, 2020

**TRITON INTERNATIONAL LIMITED**
**CONSOLIDATED BALANCE SHEET**
**(In thousands, except share data)**

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| **ASSETS:** | | |
| Leasing equipment, net of accumulated depreciation of $2,933,886 and $2,533,446 | $ 8,392,547 | $ 8,923,451 |
| Net investment in finance leases | 413,342 | 478,065 |
| Equipment held for sale | 114,504 | 66,453 |
| **Revenue earning assets** | 8,920,393 | 9,467,969 |
| Cash and cash equivalents | 62,295 | 48,950 |
| Restricted cash | 106,677 | 110,589 |
| Accounts receivable, net of allowances of $1,276 and $1,240 | 210,697 | 264,382 |
| Goodwill | 236,665 | 236,665 |
| Lease intangibles, net of accumulated amortization of $242,301 and $205,532 | 56,156 | 92,925 |
| Other assets | 38,902 | 34,610 |
| Fair value of derivative instruments | 10,848 | 13,923 |
| **Total assets** | $ 9,642,633 | $ 10,270,013 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY:** | | |
| Equipment purchases payable | $ 24,685 | $ 22,392 |
| Fair value of derivative instruments | 36,087 | 10,966 |
| Accounts payable and other accrued expenses | 116,782 | 99,885 |
| Net deferred income tax liability | 301,317 | 282,129 |
| Debt, net of unamortized costs of $39,781 and $44,889 | 6,631,525 | 7,529,432 |
| **Total liabilities** | 7,110,396 | 7,944,804 |
| **Shareholders' equity:** | | |
| Preferred shares, $0.01 par value, at liquidation preference | 405,000 | — |
| Common shares, $0.01 par value, 270,000,000 shares authorized, 80,979,833 and 80,843,472 shares issued, respectively | 810 | 809 |
| Undesignated shares, $0.01 par value, 13,800,000 and 30,000,000 shares authorized, respectively, no shares issued and outstanding | — | — |
| Treasury shares, at cost, 8,771,345 and 1,853,148 shares, respectively | (278,510) | (58,114) |
| Additional paid-in capital | 902,725 | 896,811 |
| Accumulated earnings | 1,533,845 | 1,349,627 |
| Accumulated other comprehensive income (loss) | (31,633) | 14,563 |
| **Total shareholders' equity** | 2,532,237 | 2,203,696 |
| Noncontrolling interests | — | 121,513 |
| **Total equity** | 2,532,237 | 2,325,209 |
| **Total liabilities and equity** | $ 9,642,633 | $ 10,270,013 |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**TRITON INTERNATIONAL LIMITED**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**(In thousands, except per share data)**

| | Year Ended December 31, 2019 | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|---|---|---|---|
| Leasing revenues: | | | |
| Operating leases | $ 1,307,218 | $ 1,328,756 | $ 1,141,165 |
| Finance leases | 40,051 | 21,547 | 22,352 |
| **Total leasing revenues** | 1,347,269 | 1,350,303 | 1,163,517 |
| | | | |
| Equipment trading revenues | 83,993 | 83,039 | 37,419 |
| Equipment trading expenses | (69,485) | (64,118) | (33,235) |
| **Trading margin** | 14,508 | 18,921 | 4,184 |
| | | | |
| Net gain on sale of leasing equipment | 27,041 | 35,377 | 35,812 |
| Net gain on sale of building | — | 20,953 | — |
| | | | |
| **Operating expenses:** | | | |
| Depreciation and amortization | 536,131 | 545,138 | 500,720 |
| Direct operating expenses | 79,074 | 48,326 | 62,891 |
| Administrative expenses | 75,867 | 80,033 | 87,609 |
| Transaction and other costs (income) | — | 88 | 9,272 |
| Provision (reversal) for doubtful accounts | 590 | (231) | 3,347 |
| Insurance recovery income | — | — | (6,764) |
| Total operating expenses | 691,662 | 673,354 | 657,075 |
| Operating income (loss) | 697,156 | 752,200 | 546,438 |
| **Other expenses:** | | | |
| Interest and debt expense | 316,170 | 322,731 | 282,347 |
| Realized (gain) loss on derivative instruments, net | (2,237) | (2,072) | 900 |
| Unrealized (gain) loss on derivative instruments, net | 3,107 | 430 | (1,397) |
| Debt termination expense | 2,543 | 6,090 | 6,973 |
| Other (income) expense, net | (3,257) | (2,292) | (2,637) |
| **Total other expenses** | 316,326 | 324,887 | 286,186 |
| Income (loss) before income taxes | 380,830 | 427,313 | 260,252 |
| Income tax expense (benefit) | 27,551 | 70,641 | (93,274) |
| **Net income (loss)** | $ 353,279 | $ 356,672 | $ 353,526 |
| Less: income (loss) attributable to noncontrolling interest | 592 | 7,117 | 8,928 |
| Less: dividend on preferred shares | 13,646 | — | — |
| **Net income (loss) attributable to common shareholders** | $ 339,041 | $ 349,555 | $ 344,598 |
| Net income per common share—Basic | $ 4.57 | $ 4.38 | $ 4.55 |
| Net income per common share—Diluted | $ 4.54 | $ 4.35 | $ 4.52 |
| Cash dividends paid per common share | $ 2.08 | $ 2.01 | $ 1.80 |
| Weighted average number of common shares outstanding—Basic | 74,190 | 79,782 | 75,679 |
| Dilutive restricted shares | 510 | 582 | 509 |
| Weighted average number of common shares outstanding—Diluted | 74,700 | 80,364 | 76,188 |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**TRITON INTERNATIONAL LIMITED**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(In thousands)**

| | Year Ended December 31, 2019 | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|---|---|---|---|
| **Net income (loss)** | $ 353,279 | $ 356,672 | $ 353,526 |
| **Other comprehensive income (loss), net of tax:** | | | |
| Change in derivative instruments designated as cash flow hedges | (42,532) | (3,933) | (407) |
| Reclassification of (gain) loss on derivative instruments designated as cash flow hedges | (4,039) | (5,210) | 440 |
| Cumulative effect for the adoption of ASU 2017-12, net of income tax effect | 432 | — | — |
| Foreign currency translation adjustment | (57) | (207) | 151 |
| Other comprehensive income (loss), net of tax | (46,196) | (9,350) | 184 |
| Comprehensive income | 307,083 | 347,322 | 353,710 |
| Less: | | | |
| Other comprehensive income attributable to noncontrolling interest | $ 592 | $ 7,117 | 8,928 |
| Dividend on preferred shares | 13,646 | — | — |
| **Comprehensive income attributable to common shareholders** | $ 292,845 | $ 340,205 | $ 344,782 |
| | | | |
| Tax (benefit) provision on change in derivative instruments designated as cash flow hedges | $ (6,121) | $ 1,814 | $ (234) |
| Tax (benefit) provision on reclassification of (gain) loss on derivative instruments designated as cash flow hedges | $ (2,009) | $ (1,570) | $ 171 |
| Tax (benefit) provision on cumulative effect for the adoption of ASU 2017-12 | $ 277 | $ — | $ — |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# TRITON INTERNATIONAL LIMITED
# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
# (In thousands, except share amounts)

| | Preferred Shares | | Common Shares | | Treasury Shares | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | Add'l Paid in Capital | Accumulated Earnings | Accumulated Other Comprehensive Income | Non controlling Interest | Total Equity |
| **Balance as of December 31, 2016** | — | $ — | 74,376,025 | $ 744 | — | $ — | $ 690,418 | $ 945,313 | $ 26,758 | $ 143,504 | $ 1,806,737 |
| Issuance of common shares | — | — | 6,152,500 | 61 | — | — | 193,109 | — | — | — | 193,170 |
| Share-based compensation | — | — | 161,194 | 2 | — | — | 5,641 | — | — | — | 5,643 |
| Cumulative adjustment for adoption of ASU 2016-09 | — | — | — | — | — | — | — | 6,582 | — | — | 6,582 |
| Share repurchase to settle shareholder tax obligations | — | — | (1,962) | — | — | — | — | (70) | — | — | (70) |
| Net income (loss) | — | — | — | — | — | — | — | 344,598 | — | 8,928 | 353,526 |
| Other comprehensive income (loss) | — | — | — | — | — | — | — | — | 184 | — | 184 |
| Distributions to noncontrolling interests | — | — | — | — | — | — | — | — | — | (18,890) | (18,890) |
| Common shares dividend declared | — | — | — | — | — | — | — | (137,056) | — | — | $ (137,056) |
| **Balance as of December 31, 2017** | **—** | **$ —** | **80,687,757** | **$ 807** | **—** | **$ —** | **$ 889,168** | **$ 1,159,367** | **$ 26,942** | **$ 133,542** | **$ 2,209,826** |
| Share-based compensation | — | — | 200,341 | 2 | — | — | 9,028 | — | — | — | 9,030 |
| Treasury shares acquired | — | — | — | — | 1,853,148 | (58,114) | — | — | — | — | (58,114) |
| Share repurchase to settle shareholder tax obligations | — | — | (44,626) | — | — | — | (1,385) | — | — | — | (1,385) |
| Net income (loss) | — | — | — | — | — | — | — | 349,555 | — | 7,117 | 356,672 |
| Tax reclassification to accumulated earnings for the adoption of ASU 2018-02 | — | — | — | — | — | — | — | 3,029 | (3,029) | — | — |
| Other comprehensive income (loss) | — | — | — | — | — | — | — | — | (9,350) | — | (9,350) |
| Distributions to noncontrolling interests | — | — | — | — | — | — | — | — | — | (19,146) | (19,146) |
| Common shares dividend declared | — | — | — | — | — | — | — | (162,324) | — | — | (162,324) |
| **Balance as of December 31, 2018** | **—** | **$ —** | **80,843,472** | **$ 809** | **1,853,148** | **$ (58,114)** | **$ 896,811** | **$ 1,349,627** | **$ 14,563** | **$ 121,513** | **$ 2,325,209** |
| Issuance of preferred shares, net of offering expenses | 16,200,000 | 405,000 | — | — | — | — | (14,232) | — | — | — | 390,768 |
| Share-based compensation | — | — | 311,257 | 3 | — | — | 8,960 | — | — | — | 8,963 |
| Treasury shares acquired | — | — | — | — | 6,918,197 | (220,396) | — | — | — | — | (220,396) |
| Share repurchase to settle shareholder tax obligations | — | — | (174,896) | (2) | — | — | (5,664) | — | — | — | (5,666) |
| Net income (loss) | — | — | — | — | — | — | — | 352,687 | — | 592 | 353,279 |
| Other comprehensive income (loss) | — | — | — | — | — | — | — | (432) | (46,196) | — | (46,628) |
| Purchase of noncontrolling interests | — | — | — | — | — | — | 16,850 | — | — | (120,027) | (103,177) |
| Distributions to noncontrolling interests | — | — | — | — | — | — | — | — | — | (2,078) | (2,078) |
| Common shares dividend declared | — | — | — | — | — | — | — | (155,714) | — | — | (155,714) |
| Preferred shares dividend declared | — | — | — | — | — | — | — | (12,323) | — | — | (12,323) |
| **Balance as of December 31, 2019** | **16,200,000** | **$ 405,000** | **80,979,833** | **$ 810** | **8,771,345** | **$ (278,510)** | **$ 902,725** | **$ 1,533,845** | **$ (31,633)** | **$ —** | **$ 2,532,237** |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**TRITON INTERNATIONAL LIMITED**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands)**

| | Year Ended December 31, 2019 | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Net income (loss) | $ 353,279 | $ 356,672 | $ 353,526 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization | 536,131 | 545,138 | 500,720 |
| Amortization of deferred debt cost and other debt related amortization | 12,806 | 15,005 | 13,401 |
| Lease related amortization | 41,926 | 70,275 | 92,787 |
| Share-based compensation expense | 8,963 | 9,030 | 5,641 |
| Net (gain) loss on sale of leasing equipment | (27,041) | (35,377) | (35,812) |
| Net (gain) loss on sale of building | — | (20,953) | — |
| Unrealized (gain) loss on derivative instruments | 3,107 | 430 | (1,397) |
| Debt termination expense | 2,543 | 6,090 | 6,973 |
| Deferred income taxes | 27,181 | 66,467 | (94,678) |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | 54,171 | (65,385) | (5,967) |
| Accounts payable and accrued expenses | 3,963 | (13,829) | (42,402) |
| Net equipment sold for resale activity | (3,837) | (2,341) | 8,821 |
| Cash received (paid) for settlement of interest rate swaps | (22,330) | 187 | 2,117 |
| Cash collections on finance lease receivables, net of income earned | 73,429 | 64,372 | 60,673 |
| Other assets | (2,385) | (1,559) | 3,065 |
| **Net cash provided by (used in) operating activities** | 1,061,906 | 994,222 | 867,468 |
| **Cash flows from investing activities:** | | | |
| Purchases of leasing equipment and investments in finance leases | (240,170) | (1,603,507) | (1,562,863) |
| Proceeds from sale of equipment, net of selling costs | 217,296 | 163,256 | 190,744 |
| Proceeds from the sale of building | — | 27,630 | — |
| Investment in joint venture | (760) | — | — |
| Other | (86) | (160) | 55 |
| **Net cash provided by (used in) investing activities** | (23,720) | (1,412,781) | (1,372,064) |
| **Cash flows from financing activities:** | | | |
| Issuance of preferred shares, net of underwriting discount | 392,242 | — | — |
| Issuance of common shares, net of underwriting discount | — | — | 192,931 |
| Purchases of treasury shares | (222,236) | (56,274) | — |
| Redemption of common shares for withholding taxes | (5,666) | (1,385) | (70) |
| Debt issuance costs | (8,751) | (19,575) | (34,494) |
| Borrowings under debt facilities | 1,697,200 | 4,043,637 | 3,102,825 |
| Payments under debt facilities and finance lease obligations | (2,608,960) | (3,435,041) | (2,539,711) |
| Dividends paid on preferred shares | (12,323) | — | — |
| Dividends paid on common shares | (153,861) | (160,289) | (135,557) |
| Distributions to noncontrolling interests | (2,078) | (19,146) | (18,890) |
| Purchase of noncontrolling interests | (103,039) | — | — |
| Other | (1,281) | — | 241 |
| **Net cash provided by (used in) financing activities** | (1,028,753) | 351,927 | 567,275 |
| **Net increase (decrease) in cash, cash equivalents and restricted cash** | $ 9,433 | $ (66,632) | $ 62,679 |
| Cash, cash equivalents and restricted cash, beginning of period | 159,539 | 226,171 | 163,492 |
| **Cash, cash equivalents and restricted cash, end of period** | $ 168,972 | $ 159,539 | $ 226,171 |
| **Supplemental disclosures:** | | | |
| Interest paid | $ 306,827 | $ 308,827 | $ 269,601 |
| Income taxes paid (refunded) | $ (895) | $ 4,484 | $ (288) |
| Right-of-use asset for leased property | $ 7,616 | $ — | $ — |
| **Supplemental non-cash investing activities:** | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Equipment purchases payable | $ | 24,685 | $ | 22,392 | $ | 128,133 |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**Note 1—Description of the Business and Basis of Presentation**

***Description of the Business and Basis of Presentation***

Triton International Limited ("Triton" or the "Company"), through its subsidiaries, leases intermodal transportation equipment, primarily maritime containers, and provides maritime container management services through a worldwide network of service subsidiaries, third-party depots and other facilities. The majority of the Company's business is derived from leasing its containers to shipping line customers through a variety of long-term and short-term contractual lease arrangements. The Company also sells containers from its equipment leasing fleet as well as containers specifically acquired for resale from third parties. The Company's registered office is located in Bermuda.

The consolidated financial statements and accompanying notes include the accounts of the Company and its subsidiaries and are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Certain reclassifications have been made to the accompanying prior period financial statements and notes to conform to the current year's presentation.

**Note 2—Summary of Significant Accounting Policies**

***Principles of Consolidation***

The consolidated financial statements include the accounts of the Company and subsidiaries in which it has a controlling interest, and variable interest entities of which the Company is the primary beneficiary. The equity method of accounting is applied when the Company does not have a controlling interest in an entity but exerts significant influence over the entity. All significant intercompany balances and transactions have been eliminated in consolidation.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities in the financial statements. Such estimates include, but are not limited to, the Company's estimates in connection with leasing equipment, including residual values and depreciable lives, values of assets held for sale and other long lived assets, provision for income tax, allowance for doubtful accounts, share-based compensation, goodwill and intangible assets. Actual results could differ from those estimates.

***Segment Reporting***

The Company conducts its business activities in one industry, intermodal transportation equipment, and has two reporting segments, Equipment leasing and Equipment trading. The Company also segregates total equipment leasing revenues and total equipment trading revenues by geographic location based upon the primary domicile of the Company's customers.

***Concentration of Credit Risk***

The Company's equipment lease and trade receivables subject it to potential credit risk. The Company extends credit to its customers based upon an evaluation of each customer's financial condition and credit history. Evaluations of the financial condition and associated credit risk of customers are performed on an ongoing basis. The Company's largest customer, CMA CGM S.A., accounted for 21%, 20%, and 19% of its lease billings during 2019, 2018, and 2017, respectively, and accounted for 21% and 29% of its accounts receivable as of December 31, 2019 and 2018, respectively. The Company's second largest customer, Mediterranean Shipping Company S.A. accounted for 14% of its lease billings each year during 2019, 2018, and 2017, and accounted for 6% and 5% of its accounts receivable as of December 31, 2019 and 2018, respectively.

Other financial instruments that are exposed to concentration of credit risk are cash and cash equivalents, and restricted cash balances. Cash and cash equivalents, and restricted cash are held with financial institutions of high quality. Balances may exceed the amount of insurance provided on such deposits.

***Fair Value Measurements***

Fair value represents the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The determination of fair value may require an entity to make significant judgments or develop assumptions about market participants to reflect risks specific to the asset being valued. The Company uses the following fair value hierarchy when selecting inputs for its valuation techniques, with the highest priority given to Level 1:

- Level 1—quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2—inputs other than quoted prices included within Level 1 that are either directly or indirectly observable; and
- Level 3—unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

Cash and cash equivalents, restricted cash, accounts receivable, equipment purchases payable and accounts payable carrying amounts approximate fair values because of the short-term nature of these instruments. The Company's other financial and non-financial assets, which include leasing equipment, net investment in finance leases, intangible assets and goodwill, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required, and the Company determines that these other financial and non-financial assets are impaired after completing an evaluation, these assets would be written down to their fair value.

For information on the fair value of equipment held for sale, debt, and the fair value of derivative instruments, please refer to Note 3 - "Equipment Held for Sale", Note 6 - "Debt" and Note 7 - "Derivative Instruments", respectively.

***Cash and Cash Equivalents***

Cash and cash equivalents consist of all cash balances and highly liquid investments having original maturities of three months or less at the time of purchase.

***Restricted Cash***

The Company's restricted cash relates to amounts held at financial institutions pursuant to certain debt arrangements. The restricted cash balances represent cash proceeds collected and required to be used to pay debt service and other related expenses.

***Allowance for Doubtful Accounts***

The Company's allowance for doubtful accounts is estimated based upon a review of the collectibility of its receivables. This review is based on the risk profile of the receivables, credit quality indicators such as the level of past-due amounts and economic conditions. Generally, the Company does not require collateral on accounts receivable balances. An account is considered past due when a payment has not been received in accordance with the contractual terms. Changes in economic conditions or other events may necessitate additions or deductions to the allowance for doubtful accounts. The allowance for doubtful accounts is intended to provide for losses in the receivables, and requires the application of estimates and judgments as to the outcome of collection efforts, among other things. The Company believes its allowance for doubtful accounts is adequate to provide for credit losses inherent in its existing receivables.

To the extent amounts are expected to be recoverable from insurance policies, the Company records a receivable based on amounts incurred not to exceed insurance limits.

The Company experienced a major lessee default in 2016 when Hanjin Shipping Co. ("Hanjin"), a lessee of the Company, filed for court protection and immediately began a liquidation process. The impact of the Hanjin liquidation was significantly lessened by credit insurance policies in place which covered the majority of the recovery costs, the value of the containers that were unrecoverable and a portion of the lost lease revenue. The insurance policies did not cover Triton's pre-default receivables. The Company recorded a gain of $6.8 million to insurance recovery income within operating expenses for the year ended December 31, 2017. The net gain represents insurance proceeds received in excess of recovery costs incurred and the net book value of those units written off as unrecoverable.

***Net Investment in Finance Leases***

The Company has entered into various lease agreements that qualify as direct financing leases or sales-type leases. These leases are usually long-term in nature, typically ranging for a period of three to twelve years, and typically include an option to purchase the equipment at the end of the lease term at a bargain purchase price. At the inception of a direct financing lease or a sales-type lease, a net investment is recorded based on the gross investment (representing the total future minimum lease payments plus the estimated residual value), net of unearned income. Unearned income represents the excess of the gross investment over the fair value of the leased equipment at lease inception.

When the subject containers fair value differ from book value at the commencement of a lease, the Company may defer the recognition of gains depending on whether the lease is classified as a sales-type or direct financing lease, but will recognize losses at inception.

***Leasing Equipment***

The Company purchases new equipment from equipment manufacturers for the purpose of leasing such equipment to customers. The Company also purchases used equipment with the intention of selling such equipment in one or more years from the date of purchase.

Leasing equipment is recorded at cost and depreciated to an estimated residual value on a straight-line basis over the estimated useful lives. Capitalized costs for new container rental equipment include the manufactured cost of the container, inspection, delivery, and associated costs incurred in moving the container from the manufacturer to the initial on-hire location of such container. Repair and maintenance costs that do not extend the lives of the container rental equipment are charged to direct operating expenses at the time the costs are incurred.

The estimated useful lives and residual values of the Company's leasing equipment are based on historical disposal experience and the Company's expectations for future used container sale prices. The Company evaluates estimates used in its depreciation policy on a regular basis to determine whether changes have taken place that would suggest that a change in its depreciation estimates for useful lives or the assigned residual values of its equipment is warranted. For 2019, the Company completed its annual depreciation policy assessment during the fourth quarter and concluded no change was necessary.

The estimated useful lives and residual values for each major equipment type for the periods indicated below were as follows:

| | As of December 31, 2019 and 2018 | |
|---|---|---|
| **Equipment Type** | **Depreciable Life** | **Residual Value** |
| Dry containers | | |
| 20-foot dry container | 13 years | $ 1,000 |
| 40-foot dry container | 13 years | $ 1,200 |
| 40-foot high cube dry container | 13 years | $ 1,400 |
| Refrigerated containers | | |
| 20-foot refrigerated container | 12 years | $ 2,350 |
| 40-foot high cube refrigerated container | 12 years | $ 3,350 |
| Special containers | | |
| 40-foot flat rack container | 16 years | $ 1,700 |
| 40-foot open top container | 16 years | $ 2,300 |
| Tank containers | 20 years | $ 3,000 |
| Chassis | 20 years | $ 1,200 |

Depreciation on leasing equipment commences on the date of initial on-hire.

For leasing equipment purchased for resale that may be leased for a period of time, the Company adjusts its estimates for remaining useful life and residual values based on current conditions in the sales market for older containers and the Company's expectations for how long the equipment will remain on-hire to the current lessee.

The net book value of the Company's leasing equipment by equipment type as of the dates indicated was (in thousands):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Dry container | $ 6,308,038 | $ 6,666,560 |
| Refrigerated container | 1,520,747 | 1,676,331 |
| Special container | 321,099 | 322,607 |
| Tank container | 101,677 | 107,284 |
| Chassis | 140,986 | 150,669 |
| Total | $ 8,392,547 | $ 8,923,451 |

Included in the amounts above are units not on lease at December 31, 2019 and 2018 with a total net book value of $721.7 million and $551.1 million, respectively. Depreciation on equipment purchased under finance lease obligations is included in depreciation and amortization expense on the consolidated statements of operations.

***Valuation of Leasing Equipment***

Leasing equipment is evaluated for impairment whenever events or changes in circumstances indicate that its carrying value may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of the carrying value to its estimated undiscounted future cash flows expected to be generated by the asset. If the carrying value of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized in the amount by which the carrying value of the asset exceeds the fair value of the asset. Key indicators of impairment on leasing equipment include, among other factors, a sustained decrease in operating profitability, a sustained decrease in utilization, or indications of technological obsolescence.

When testing for impairment, leasing equipment is generally grouped by equipment type, and is tested separately from other groups of assets and liabilities. Some of the significant estimates and assumptions used to determine future undiscounted cash flows and the measurement for impairment are the remaining useful life, expected utilization, expected future lease rates and expected disposal prices of the equipment. The Company considers the assumptions on expected utilization and the remaining useful life to have the greatest impact on its estimate of future undiscounted cash flows. These estimates are principally based on the Company's historical experience and management's judgment of market conditions.

The Company did not record any impairment charges related to leasing equipment for the years ended December 31, 2019, 2018, and 2017.

***Equipment Held for Sale***

When leasing equipment is returned off lease, the Company makes a determination of whether to repair and re-lease the equipment or sell the equipment. At the time the Company determines that equipment will be sold, it reclassifies the appropriate amounts previously recorded as leasing equipment to equipment held for sale. Equipment held for sale is carried at the lower of its estimated fair value less costs to sell or carrying value. Depreciation expense on equipment held for sale is halted and disposals generally occur within 90 days. Initial write downs of equipment held for sale to fair value are recorded as an impairment charge and are included in net gain on sale of leasing equipment. Subsequent increases or decreases to the fair value of those assets are recorded as adjustments to the carrying value of the equipment held for sale, however, any such adjustments may not exceed the respective equipment's carrying value at the time it was initially classified as held for sale. Realized gains and losses resulting from the sale of equipment held for sale are recorded in net gain on sale of leasing equipment, and cash flows associated with the disposal of equipment held for sale are classified as cash flows from investing activities.

***Operating Leases***

The Company leases office space and office equipment and evaluates whether these leases are classified as operating or financing at the inception of the lease. The classification is based on certain assumptions that require judgment, such as the asset's fair value, the asset's estimated residual value, the interest rate implicit in the lease, and the asset's economic useful life.

For operating leases, the Company records a lease liability based on the present value of the remaining minimum payments and a corresponding right-of-use ("ROU") asset. The Company uses its estimated incremental borrowing rate at the commencement date to determine the present value of lease payments. The benefits of lease incentives, including rent-free or reduced rent periods, and the cost of future rent escalations are recognized on a straight-line basis over the term of the lease. A lease liability and a corresponding ROU asset are not recognized when, at the commencement date of the lease, the term is 12 months or less.

***Property, Furniture and Equipment***

Costs of major additions of property, furniture, equipment and improvements are capitalized and are included in other assets on the consolidated balance sheets. The original cost is depreciated on a straight-line basis over the estimated useful lives of such property, furniture and equipment. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the estimated useful lives of the leased assets. Other fixed assets, which consist primarily of computer software and hardware, are recorded at cost and amortized on a straight-line basis over their respective estimated useful lives, which range from three to seven years. Expenditures for maintenance and repairs are expensed as they are incurred.

***Goodwill***

Goodwill is tested for impairment at least annually on October 31st of each fiscal year or more frequently if events occur or circumstances indicate that the fair value of a reporting unit may be below its carrying value. Goodwill has been allocated to the Company's reporting units.

In evaluating goodwill for impairment, the Company has the option to first assess qualitative factors to determine whether further impairment testing is necessary. Among other relevant events and circumstances that affect the fair value of reporting units, the Company considers individual factors such as macroeconomic conditions, changes in its industry and the markets in which the Company operates, as well as its reporting units' historical and expected future financial performance. If, after assessing the totality of events or circumstances, the Company determines it is more-likely-than-not that the fair value of a reporting unit is greater than its carrying amount, then the quantitative goodwill impairment test is unnecessary. The quantitative goodwill impairment test compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit is less than its fair value, no impairment exists. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

The Company elected to perform the qualitative assessment for its evaluation of goodwill impairment during the year ended December 31, 2019 and concluded there was no impairment. Since inception through December 31, 2019, the Company has not recorded any goodwill impairment.

***Intangible Assets***

Intangible assets with finite useful lives such as acquired lease intangibles are initially recorded at fair value and are amortized over their respective estimated useful lives and subsequently reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The Company has not recorded any impairment charges related to intangible assets for the years ended December 31, 2019, 2018, and 2017.

***Revenue Recognition***

*Operating Leases with Customers*

The Company enters into long-term leases and service leases with ocean carriers, principally as lessor in operating leases, for marine cargo equipment. Long-term leases provide customers with specified equipment for a specified term. The Company's leasing revenues are based upon the number of equipment units leased, the applicable per diem rate and the length of the lease. Long-term leases typically have initial contractual terms ranging from three to eight years. Revenues are recognized on a straight-line basis over the life of the respective lease. Advance billings are deferred and recognized in the period earned. Service leases do not specify the exact number of equipment units to be leased or the term that each unit will remain on-hire, but allow the lessee to pick-up and drop-off units at various locations specified in the lease agreement. Under a service lease, rental revenue is based on the number of equipment units on-hire for a given period. Revenue for customers considered to be non-performing is deferred and recognized when the amounts are received.

The Company recognizes billings to customers for damages and certain other operating costs as leasing revenue when earned based on the terms of the contractual agreements with the customer.

*Finance Leases with Customers*

The Company enters into finance leases as lessor for some of the equipment in its fleet. At the inception of the lease, the Company records the total future minimum lease payments plus the estimated residual value, net of executory costs, if any. The net investment in finance leases represents the receivables due from lessees, net of unearned income and amounts previously billed, which are included in accounts receivable. Unearned income, which also includes any initial direct costs, is recognized on a constant yield basis over the lease term and is recorded as leasing revenue. The Company's finance leases are usually long-term in nature and typically include an option to purchase the equipment at the end of the lease term for an amount determined to be a bargain.

*Equipment Trading Revenues and Expenses*

Equipment trading revenues represent the proceeds from the sale of equipment purchased for resale and are recognized as units are sold. The related expenses represent the cost of equipment sold as well as other selling costs that are recognized as incurred and are reflected as equipment trading expenses on the consolidated statements of operations.

***Direct Operating Expenses***

Direct operating expenses are directly related to the Company's equipment under and available for lease. These expenses primarily consist of the Company's costs to repair and maintain the equipment, to reposition the equipment and to store the equipment when it is not on lease. These costs are recognized when incurred. Certain positioning costs may be capitalized when incurred to place new equipment on an initial lease.

***Debt Costs***

Debt costs represent the fees incurred in connection with debt obligation arrangements. These costs are capitalized and amortized using the effective interest method or on a straight-line basis over the term of the related obligation, depending on the type of debt obligation to which they relate. Unamortized debt costs may be written off when the related debt obligations are refinanced or extinguished prior to maturity.

***Derivative Instruments***

The Company uses derivatives in the management of its interest rate exposure on its long-term borrowings. The Company records derivative instruments on its balance sheet at fair value and establishes criteria for both the designation and effectiveness of hedging activities.

The Company has entered into interest rate swap agreements with certain financial institutions. The interest rate swap agreements require the Company to make payments to counterparties at fixed rates in return for receipts based upon variable rates indexed to the London Interbank Offered Rate ("LIBOR").

Derivative instruments are designated or non-designated for hedge accounting purposes. The fair value of the derivative instruments is measured at each balance sheet date and is reflected on a gross basis on the consolidated balance sheets. The change in fair value of the derivative instruments designated as a cash flow hedge are recorded on the consolidated balance sheets in accumulated other comprehensive income (loss) and are re-classified to interest and debt expense when the hedged interest payments are recognized. The change in fair value of non-designated derivative instruments is recorded in the consolidated statements of operations as unrealized loss (gain) on derivative instruments, net and are reclassified to realized loss (gain) on derivative instruments, net when realized.

***Income Taxes***

The Company uses the liability method of accounting for income taxes, which requires recognition of deferred tax assets and liabilities based on the expected future tax consequences of temporary differences that currently exist between the tax basis and financial reporting basis of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Any change in the tax rate which has an effect on deferred tax assets and liabilities is recognized as an increase or decrease to income in the period that includes the enactment date of the law that resulted in the change in tax rate.

The Company recognizes the effect of income tax positions which are more-likely-than-not of being sustained. If a position does not meet the more-likely-than-not criteria, the Company records a reserve against the tax position such that a tax benefit is recognized only in the amount that has a greater than 50% likelihood of being recognized. The full impact of any change in recognition or measurement of an uncertain tax position is reflected in the period in which such change occurs. Potential interest and penalties associated with such uncertain tax positions are recorded as a component of income tax expense.

***Noncontrolling Interests***

During 2019, the Company acquired all of the remaining third-party partnership interests in Triton Container Investments LLC ("TCI") for an aggregate of $103.0 million in cash and recognized a benefit of $16.9 million in the consolidated statements of shareholders' equity. The Company held membership interests in TCI representing 56.0% of TCI's total members' capital as of December 31, 2018.

TCI was a fully consolidated entity within the Company's consolidated financial statements. The noncontrolling interests included in the Company's consolidated financial statements were comprised of (i) the amount of the initial investment made by TCI investors, plus or minus (ii) the profits and/or losses allocated to TCI investors pursuant to the terms of TCI's limited liability company operating agreement, plus or minus (iii) additional cash contributions made by and/or cash distributions received by TCI investors.

***Foreign Currency Translation and Remeasurement***

The Company uses the U.S. dollar as its reporting currency. The net assets and operations of foreign subsidiaries included in the consolidated financial statements are attributable primarily to the Company's U.K. subsidiary. The accounts of this subsidiary have been converted at rates of exchange in effect at year end as to balance sheet accounts and at the annual weighted average exchange rates for the statements of operations accounts. The effects of changes in exchange rates in translating foreign subsidiaries' financial statements are included in shareholders' equity as accumulated other comprehensive (loss) income.

The Company also has certain cash accounts, certain finance lease receivables and certain obligations that are denominated in currencies other than the Company's functional currency. These assets and liabilities are generally denominated in euros or British pounds, and are remeasured at each balance sheet date at the exchange rates in effect as of those dates. The impact of changes in exchange rates on the remeasurement of assets and liabilities are included in administrative expenses on the consolidated statements of operations. Foreign currency gains or losses were immaterial for the years ended December 31, 2019, 2018, and 2017.

***Share-based Compensation***

The Company measures and recognizes share-based awards granted to employees based on the grant date fair value. Share-based awards may be subject to forfeiture if certain employment conditions are not met. The Company has elected to account for forfeitures as they occur. Time based awards are measured at the grant date and are recognized as compensation expense over the employee's requisite service period, generally the vesting period of the equity award, on a straight-line basis. Performance-based awards are recognized as compensation expense when satisfaction of the performance condition is considered probable. The Company also grants share-based awards to non-employee directors that vest immediately and are recognized as compensation expense based on the grant date fair value.

***Earnings Per Share***

Basic earnings per share is computed by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding for the period. Any potential issuance of common shares, including those that are contingent and do not participate in dividends, are excluded from the weighted average number of common shares outstanding. Diluted earnings per share reflect the potential dilution that would occur if securities exercisable or convertible into common shares were exercised or converted into common shares, utilizing the treasury share method.

The Company excluded 867, 207,991, and nil of anti-dilutive restricted common shares from its calculation of diluted earnings per share for the years ended December 31, 2019, 2018, and 2017.

***Recently Adopted Accounting Standards Updates***

*Leases*

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, Leases (Topic 842) and subsequently issued amendments that replaced existing lease accounting guidance. The accounting standard requires lessees to recognize a lease liability and corresponding ROU asset on their balance sheets. The accounting that will be applied by lessors under ASC 842 is largely unchanged from previous GAAP. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and ASC 606, Revenue from Contracts with Customers.

The Company adopted the standard on January 1, 2019, through a cumulative-effect adjustment. Additionally, the Company elected the "package of practical expedients," which provides: (1) An entity need not reassess whether any expired or existing contracts are or contain leases; (2) An entity need not reassess the lease classification for any expired or existing leases; (3) An entity need not reassess initial direct costs for any existing leases; (4) An entity can combine lease and non-lease components as one single lease component; and (5) An entity can exclude short-term leases (leases with original terms of 12 months or less) from their ROU asset and lease liability accounts. Furthermore, the Company elected the optional transition method and continued to apply the guidance in ASC 840, including its disclosure requirements, in the comparative prior year periods.

At adoption, the Company recognized a lease liability of $10.5 million based on the present value of the remaining minimum rental payments under current leasing standards for existing operating leases and corresponding ROU asset of $8.9 million. The Company assessed the requirements from both a lessee and lessor perspective and concluded the adoption of this standard did not have a significant impact on the consolidated financial statements. As a result of this adoption, the Company reclassified $64.4 million and $60.7 million of cash collections on finance lease receivables, net of income earned, from investing activities to operating activities on its consolidated statement of cash flows for the year ended December 31, 2018 and December 31, 2017, respectively.

*Targeted Improvements to Accounting for Hedging Activities.*

In August 2017, FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815). ASU 2017-12 changes the recognition and presentation requirements of hedge accounting, including: eliminating the requirement to separately measure and report hedge ineffectiveness; and presenting all items that affect earnings in the same income statement line item as the hedged item. Subsequent amendments permit the use of the Overnight Index Swap ("OIS") rate based on the Secured Overnight Financing Rate ("SOFR") as a U.S. benchmark interest rate for hedge accounting purposes under ASC 815, in addition to the currently permissible benchmark interest rates. This will provide the Company the ability to utilize the OIS rate based on SOFR as the benchmark interest rate on certain hedges of interest rate risk.

The Company adopted the standard on January 1, 2019, and applied the modified retrospective approach. The Company has evaluated the impact of this ASU and concluded the adoption of this standard did not have a significant impact on the consolidated financial statements.

*Income Taxes*

In December 2019, FASB issued ASU 2019-12, Income Taxes (Topic 740). ASU 2019-12 simplifies the accounting for income taxes by eliminating certain exceptions for investments, intraperiod allocations and interim calculations. The new guidance also simplifies aspects of the accounting for franchise taxes, enacted changes in tax laws or rates, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The amendments did not create new accounting requirements.

The Company adopted the standard as of January 1, 2019. The Company has evaluated the impact of this ASU and concluded the adoption of this standard did not have a significant impact on the consolidated financial statements.

***Recently Issued Accounting Standards Updates***

*Measurement of Credit Losses on Financial Instruments*

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326) and subsequently issued amendments. The guidance affects the Company's net investments in financing leases and accounts receivable for our Equipment trading segment, and it requires the measurement of expected credit losses to be based on relevant information from past events, including historical experiences, current conditions and reasonable and supportable forecasts that affect collectability. The Company will adopt this standard on January 1, 2020. Based on the composition of the Company's receivables, current market conditions and historical credit loss activity, the Company does not expect the adoption of this ASU to have a significant impact on the consolidated financial statements.

**Note 3—Equipment Held for Sale**

The Company's equipment held for sale is recorded at the lower of fair value less cost to sell, or carrying value. The following table summarizes the fair value of equipment held for sale in the consolidated balance sheet that have been impaired and written down to fair value less cost to sell. Fair value is measured using Level 2 inputs and is based on recent sales prices and other factors.

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Equipment held for sale | $ 11,797 | $ 5,750 |

An impairment charge is recorded when the carrying value of the asset exceeds its fair value less cost to sell. The following table summarizes the Company's net impairment charges recorded in net gains or losses on sale of leasing equipment held for sale on the consolidated statements of operations (in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Impairment (loss) reversal on equipment held for sale | $ (5,299) | $ (3,933) | $ 3 |
| Gain (loss) on sale of equipment, net of selling costs | 32,340 | 39,310 | 35,809 |
| Net gain on sale of leasing equipment | $ 27,041 | $ 35,377 | $ 35,812 |

**Note 4—Intangible Assets**

Intangible assets consist of a lease intangible for leases acquired with lease rates that were above market at the time of acquisition. The following table summarizes the amortization of intangible assets as of December 31, 2019 (in thousands):

| Years ending December 31, | Total intangible assets |
|---|---|
| 2020 | $ 22,491 |
| 2021 | 16,549 |
| 2022 | 10,497 |
| 2023 | 4,657 |
| 2024 | 1,962 |
| 2025 and thereafter | — |
| Total | $ 56,156 |

Amortization expense related to intangible assets was $37.5 million, $62.9 million, and $90.0 million for the twelve months ended December 31, 2019, 2018, and 2017, respectively.

**Note 5—Restricted Cash**

The components of restricted cash as of December 31, 2019 and December 31, 2018 were as follows (in thousands):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Collection accounts | $ 25,580 | $ 20,873 |
| Trust accounts | 13,840 | 6,174 |
| Other restricted cash accounts | 67,257 | 83,542 |
| Total restricted cash | $ 106,677 | $ 110,589 |

*Collection accounts*

The Company maintains certain bank accounts for collection (collectively, the "Collection Accounts"). Cash proceeds collected from leasing and disposition are deposited into the Collection Accounts. Similarly, all expenses related to the operation of the containers are paid from the Collection Accounts. The Company is required to maintain as restricted cash the portion of the balances in the Collections Account that relate to certain units that are financed.

*Trust accounts*

Pursuant to certain debt agreements, cash is transferred from the Collection Accounts to separate accounts (the "Trust Accounts"). The Trust Accounts are maintained by the Company on behalf of certain asset-backed noteholders. The cash in the Trust Accounts is used to pay related ABS debt service and related expenses. After such payments, any remaining cash in these accounts is transferred to certain unrestricted bank accounts of the Company and is included in cash and cash equivalents on the consolidated balance sheets.

*Other restricted cash accounts*

Pursuant to certain asset-backed debt agreements, cash is transferred to separate accounts on a monthly basis in order to maintain an amount equal to projected interest expense for a specified number of months.

**Note 6—Debt**

The table below summarizes the Company's key terms and carrying value of debt (in thousands):

| | Contractual Weighted Avg Interest Rate[(1)] | Maturity Range[(1)] From | To | December 31, 2019 | December 31, 2018 |
|---|---|---|---|---|---|
| Institutional notes | 4.65% | Apr 2020 | Jun 2029 | $ 1,957,557 | $ 2,198,200 |
| Asset-backed securitization term notes | 3.69% | May 2022 | Jun 2028 | 2,719,206 | 3,063,821 |
| Term loan facilities | 3.32% | Apr 2022 | Nov 2023 | 1,200,375 | 1,543,375 |
| Asset-backed securitization warehouse | 3.51% | Dec 2025 | Dec 2025 | 370,000 | 340,000 |
| Revolving credit facilities | 3.45% | Sep 2023 | Jul 2024 | 410,000 | 375,000 |
| Finance lease obligations | 4.92% | Feb 2024 | Feb 2024 | 27,024 | 75,526 |
| Total debt outstanding | | | | 6,684,162 | 7,595,922 |
| Unamortized debt costs | | | | (39,781) | (44,889) |
| Unamortized debt premiums & discounts | | | | (4,065) | (5,293) |
| Unamortized fair value debt adjustment | | | | (8,791) | (16,308) |
| Debt, net of unamortized costs | | | | $ 6,631,525 | $ 7,529,432 |

(1) Data as of December 31, 2019.

The fair value of total debt outstanding was $6,747.8 million and $7,559.1 million as of December 31, 2019 and December 31, 2018, respectively, and was measured using Level 2 inputs.

The Company is subject to certain financial covenants under its debt agreements. The agreements remain the obligations of the respective subsidiaries, and all related debt covenants are calculated at the subsidiary level. As of December 31, 2019 and December 31, 2018, the Company was in compliance with all financial covenants in accordance with the terms of its debt agreements.

The Company hedges the risks associated with fluctuations in interest rates on a portion of its floating-rate debt by entering into interest rate swap agreements that convert a portion of its floating-rate debt to a fixed rate basis, thus reducing the impact of interest rate changes on future interest expense. The following table summarizes the Company's outstanding fixed-rate and floating-rate debt as of December 31, 2019 (in thousands):

| | Balance Outstanding | Contractual Weighted Avg Interest Rate | Maturity Range From | Maturity Range To | Weighted Avg Remaining Term |
|---|---|---|---|---|---|
| **Excluding impact of derivative instruments:** | | | | | |
| Fixed-rate debt | $3,984,316 | 4.23% | Apr 2020 | Jun 2029 | 3.4 years |
| Floating-rate debt | $2,699,846 | 3.38% | Apr 2022 | Dec 2025 | 3.6 years |
| | | | | | |
| **Including impact of derivative instruments:** | | | | | |
| Fixed-rate debt | $3,984,316 | 4.23% | | | |
| Hedged floating-rate debt | 1,799,204 | 3.60% | | | |
| Total fixed and hedged debt | 5,783,520 | 4.04% | | | |
| Unhedged floating-rate debt | 900,642 | 3.38% | | | |
| Total | $6,684,162 | 3.95% | | | |

On February 8, 2019, the Company increased its borrowing capacity on an Asset-Backed Securitization Warehouse facility by $300.0 million to $800.0 million.

On May 16, 2019, the Company amended an existing $1,125.0 million revolving credit facility which reduced interest rates to LIBOR plus 1.50% and extended the maturity date to May 16, 2024.

On May 31, 2019, the Company extinguished a term loan and paid the outstanding balance of $210.3 million.

On July 8, 2019, the Company entered into a new $325.0 million revolving credit facility with an interest rate of one-month LIBOR plus 1.75%. The facility is available on a revolving basis through July 8, 2021, after which it will convert to a term loan with a maturity date of July 8, 2024.

On August 2, 2019, the Company extinguished an asset-backed warehouse facility which had no outstanding balance. The Company also amended a term loan agreement which increased its borrowings by $39.2 million to $500.0 million, decreased its interest rate to one-month LIBOR plus 1.65%, and extended the maturity date to August 20, 2024.

During 2019, the Company paid $41.2 million and exercised the early purchase option on several finance lease obligations.

The Company recorded $2.5 million, $6.1 million, $7.0 million of debt termination expense for the years ended December 31, 2019, 2018 and 2017, respectively.

***Institutional Notes***

In accordance with the institutional note agreements, interest payments on the Company's institutional notes are due semi-annually. Institutional note maturities typically range from 7 - 12 years, with level principal payments due annually following an interest-only period. The Company's institutional notes are pre-payable (in whole or in part) at the Company's option at any time, subject to certain provisions in the note agreements, including the payment of a make-whole premium in respect to such prepayment. These facilities provide for an advance rate against the net book values of designated eligible equipment.

***Asset-Backed Securitization Term Notes***

Under the Company's ABS facilities, indirect wholly-owned subsidiaries of the Company issue asset-backed notes. These subsidiaries are intended to be bankruptcy remote so that such assets are not available to creditors of the Company or its affiliates until and unless the related secured borrowings have been fully discharged. These transactions do not meet accounting requirements for sales treatment and are recorded as secured borrowings.

The Company's borrowings under the ABS facilities amortize in monthly installments, typically in level payments over five or more years. These facilities provide for an advance rate against the net book values of designated eligible equipment. The net book values for purposes of calculating eligible equipment is determined according to the related debt agreement and may be different than those calculated per U.S. GAAP. The Company is required to maintain restricted cash balances on deposit in designated bank accounts equal to three to nine months of interest expense depending on the terms of each facility.

***Term Loan Facilities***

The term loan facilities amortize in monthly or quarterly installments. These facilities provide for an advance rate against the net book values of designated eligible equipment.

***Asset-Backed Securitization Warehouse Facility***

Under the Company's asset-backed warehouse facility, indirect wholly-owned subsidiaries of the Company issue asset-backed notes. These subsidiaries are intended to be bankruptcy remote so that such assets are not available to creditors of the Company or its affiliates until and unless the related secured borrowings have been fully discharged. These transactions do not meet accounting requirements for sales treatment and are recorded as secured borrowings.

The Company's asset-backed warehouse facility has a borrowing capacity of $800.0 million that is available on a revolving basis until December 13, 2021, paying interest at LIBOR plus 1.75%, after which any borrowings will convert to term notes with a maturity date of December 15, 2025, paying interest at LIBOR plus 2.85%.

During the revolving period, the borrowing capacity under this facility is determined by applying an advance rate against the net book values of designated eligible equipment. The net book values for purposes of calculating eligible equipment are determined according to the related debt agreement and may be different than those calculated per U.S. GAAP. The Company is required to maintain restricted cash balances on deposit in designated bank accounts equal to three months of interest expense.

***Revolving Credit Facilities***

The revolving credit facilities have a maximum borrowing capacity of $1,560.0 million. These facilities provide for an advance rate against the net book values of designated eligible equipment.

As of December 31, 2019, the actual combined availability under the asset-backed warehouse facility and the revolving credit facility was approximately $845.9 million.

At December 31, 2019, debt maturities excluding finance lease obligations were as follows (in thousands):

| Years ending December 31, | | |
|---|---|---|
| 2020 | $ | 822,537 |
| 2021 | | 827,125 |
| 2022 | | 1,048,929 |
| 2023 | | 1,638,092 |
| 2024 | | 1,052,157 |
| 2025 and thereafter | | 1,268,298 |
| Total | $ | 6,657,138 |

***Finance Lease Obligations***

The Company has entered into a series of finance lease transactions with various financial institutions to finance chassis and containers. Each lease is accounted for as a finance lease, with interest expense recognized on a level yield basis over the period preceding early purchase options, if any, which is generally three to ten years from the transaction date.

At December 31, 2019, future lease payments under these finance leases were as follows (in thousands):

| Years ending December 31, | | |
|---|---|---|
| 2020 | $ | 4,370 |
| 2021 | | 4,370 |
| 2022 | | 4,370 |
| 2023 | | 4,370 |
| 2024 | | 13,239 |
| 2025 and thereafter | | — |
| Total future payments | | 30,719 |
| Less: amount representing interest | | (3,695) |
| Finance lease obligations | $ | 27,024 |

**Note 7—Derivative Instruments**

***Interest Rate Swaps / Caps***

The Company enters into derivative agreements to manage interest rate risk exposure. Interest rate swap agreements are utilized to limit the Company's exposure to interest rate risk by converting a portion of its floating-rate debt to a fixed rate basis, thus reducing the impact of interest rate changes on future interest expense. Interest rate swaps involve the receipt of floating-rate amounts in exchange for fixed rate interest payments over the lives of the agreements without an exchange of the underlying principal amounts. The Company also utilizes interest rate cap agreements to manage interest rate risk exposure. Interest rate cap agreements place a ceiling on the Company's exposure to rising interest rates.

The counterparties to these agreements are highly rated financial institutions. In the unlikely event that the counterparties fail to meet the terms of these agreements, the Company's exposure is limited to the interest rate differential on the notional amount at each monthly settlement period over the life of the agreements. The Company does not anticipate any non-performance by the counterparties. Substantially all of the assets of certain indirect, wholly-owned subsidiaries of the Company have been pledged as collateral for the underlying indebtedness and the amounts payable under the agreements for each of these entities. In addition, certain assets of the Company's subsidiaries, are pledged as collateral for various credit facilities and the amounts payable under certain agreements.

During the year ended December 31, 2019, the Company entered into the following hedging instruments:

| Derivative Instrument | Date Effective | Notional Amount | Fixed Leg (Pay) Interest Rate | Indexed To | Scheduled Maturity |
|---|---|---|---|---|---|
| Interest rate swap | June 20, 2019 | $75.0 million | 1.84% | 1 month LIBOR | June 20, 2026 |
| Interest rate swap | June 20, 2019 | $75.0 million | 1.83% | 1 month LIBOR | June 20, 2026 |
| Interest rate swap | November 29, 2019 | $200.0 million | 1.57% | 1 month LIBOR | November 30, 2029 |
| Interest rate swap | November 29, 2019 | $100.0 million | 1.55% | 1 month LIBOR | November 30, 2029 |
| Interest rate swap | November 29, 2019 | $100.0 million | 1.57% | 1 month LIBOR | November 30, 2029 |
| Forward starting interest rate swap | April 15, 2020 | $100.0 million | 1.84% | 1 month LIBOR | April 15, 2027 |
| Forward starting interest rate swap | April 15, 2020 | $100.0 million | 1.83% | 1 month LIBOR | April 15, 2027 |
| Forward starting interest rate swap | September 30, 2024 | $100.0 million | 1.68% | 1 month LIBOR | September 30, 2029 |
| Forward starting interest rate swap | September 30, 2024 | $100.0 million | 1.74% | 1 month LIBOR | September 30, 2029 |
| Forward starting interest rate swap | September 30, 2024 | $150.0 million | 1.72% | 1 month LIBOR | September 30, 2029 |
| Interest rate cap | June 20, 2019 | $200.0 million | n/a | 1 month LIBOR | December 20, 2021 |

During the year ended December 31, 2019, the Company canceled the following interest rate swaps:

| Date Canceled | Notional Amount | Funds Paid |
|---|---|---|
| November 22, 2019 | $100.0 million | $3.9 million |
| November 22, 2019 | $100.0 million | $3.9 million |
| November 22, 2019 | $190.0 million | $14.5 million |

As of December 31, 2019, the Company had interest rate swap and cap agreements in place to fix or limit the floating interest rates on a portion of the borrowings under its debt facilities summarized below:

| Derivatives | Notional Amount | Weighted Average Fixed Leg (Pay) Interest Rate | Cap Rate | Weighted Average Remaining Term |
|---|---|---|---|---|
| Interest Rate Swap(1) | $1,799.2 million | 2.02% | n/a | 5.1 years |
| Interest Rate Cap | $200.0 million | n/a | 5.50% | 2.0 years |

(1) The impact of forward starting swaps with total notional amount of $550.0 million will increase the weighted average remaining term to 6.7 years.

The following table represents pre-tax amounts in accumulated other comprehensive income (loss) related to interest rate swap and cap agreements expected to be recognized in income over the next twelve months (in thousands):

| | Year Ended December 31, 2019 |
|---|---|
| Unrealized gain (loss) on derivative instruments designated as cash flow hedges | $ (1,906) |
| Net gain (loss) on terminated derivative instruments designated as cash flow hedges | (3,621) |

The following table summarizes the impact of derivative instruments on the consolidated statements of operations and the consolidated statements of comprehensive income on a pretax basis (in thousands):

| Derivative instrument | Financial statement caption | Year Ended December 31, 2019 | 2018 | 2017 |
|---|---|---|---|---|
| Non-designated derivative instruments | Realized (gain) loss on derivative instruments, net | $ (2,237) | $ (2,072) | $ 900 |
| Non-designated derivative instruments | Unrealized (gain) loss on derivative instruments, net | 3,107 | 430 | (1,397) |
| Designated derivative instruments | Interest and debt (income) expense | (6,048) | (6,780) | 611 |
| Designated derivative instruments | Comprehensive loss | 48,653 | 2,119 | 641 |

***Fair Value of Derivative Instruments***

The Company has elected to use the income approach to value its interest rate swap and cap agreements, using Level 2 market expectations at the measurement date and standard valuation techniques to convert future values to a single discounted present value. The Level 2 inputs for the interest rate swap and cap valuations are inputs other than quoted prices that are observable for the asset or liability (specifically LIBOR and swap rates and credit risk at commonly quoted intervals).

The Company presents its derivative financial instruments on a gross basis on the consolidated balance sheet. Any amounts of cash collateral received or posted related to derivative instruments are included in Other Assets on the consolidated balance sheet and are presented in operating activities of the consolidated statements of cash flows. As of December 31, 2019, there was cash collateral of $12.2 million related to interest rate swap contracts.

The fair value of derivative instruments on the Company's consolidated balance sheets as of December 31, 2019 and December 31, 2018 was as follows (in thousands):

| Derivative Instrument | Asset Derivatives December 31, 2019 | Asset Derivatives December 31, 2018 | Liability Derivatives December 31, 2019 | Liability Derivatives December 31, 2018 |
|---|---|---|---|---|
| Interest rate hedges, designated | $ 10,562 | $ 10,531 | $ 36,087 | $ 10,966 |
| Interest rate hedges, non-designated | 286 | 3,392 | — | — |
| Total derivatives | $ 10,848 | $ 13,923 | $ 36,087 | $ 10,966 |

**Note 8—Leases**

***Lessee***

The Company leases multiple office facilities which are contracted under various cancelable and non-cancelable operating leases, most of which provide extension or early termination options. The Company's lease agreements do not contain any residual value guarantees or material restrictive covenants.

As of December 31, 2019, the weighted average implicit rate was 4.10% and the weighted average remaining lease term was 3.3 years.

The following table summarizes the components of the Company's leases (in thousands):

| Balance Sheet | Financial statement caption | | | | | | December 31, 2019 |
|---|---|---|---|---|---|---|---|
| Right-of-use asset - operating | Other assets | | | | | $ | 7,616 |
| Lease liability - operating | Accounts payable and other accrued expenses | | | | | $ | 8,940 |
| | | | | | | | |
| **Income Statement** | | | **Year Ended December 31, 2019** | | **Year Ended December 31, 2018** | | **Year Ended December 31, 2017** |
| Operating lease cost[1] | Administrative expenses | $ | 3,012 | $ | 2,914 | $ | 2,444 |

(1) Includes short-term leases that are immaterial.

Cash paid for amounts included in the measurement of lease liabilities under operating cash flows was $3.2 million for the year ended December 31, 2019.

The following represents our future undiscounted cash flows for each of the next five years and thereafter and reconciliation to the lease liabilities as of December 31, 2019 (in thousands):

| Years ending December 31, | | |
|---|---|---|
| 2020 | $ | 3,223 |
| 2021 | | 2,667 |
| 2022 | | 2,247 |
| 2023 | | 1,379 |
| 2024 | | 67 |
| 2025 and thereafter | | — |
| Total undiscounted future cash flows related to lease payments | $ | 9,583 |
| Less: imputed interest | | (643) |
| Total present value of lease liability | $ | 8,940 |

***Lessor***

*Operating Leases*

The following is the minimum future rental income as of December 31, 2019 under non-cancelable operating leases, assuming the minimum contractual lease term (in thousands):

| Years ending December 31, | | |
|---|---|---|
| 2020 | $ | 828,350 |
| 2021 | | 710,672 |
| 2022 | | 591,425 |
| 2023 | | 450,601 |
| 2024 | | 333,161 |
| 2025 and thereafter | | 641,498 |
| Total | $ | 3,555,707 |

*Finance Leases*

The following table represents the components of the net investment in finance leases (in thousands):

| | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| Future minimum lease payment receivable(1) | $ | 476,443 | $ | 574,422 |
| Estimated residual receivable(2) | | 102,238 | | 107,598 |
| Gross finance lease receivables | | 578,681 | | 682,020 |
| Unearned income(3) | | (165,339) | | (203,955) |
| Net investment in finance leases(4) | $ | 413,342 | $ | 478,065 |

(1) There were no executory costs included in gross finance lease receivables as of December 31, 2019 and 2018.
(2) The Company's finance leases generally include a bargain purchase option and therefore, the Company has immaterial residual value risk for assets.
(3) There were no unamortized initial direct costs as of December 31, 2019 and 2018.
(4) As of December 31, 2019, three major customers represented 55%, 24% and 11% of the Company's finance lease portfolio. As of December 31, 2018, three major customers represented 50%, 24% and 13% of the Company's finance lease portfolio. No other customer represented more than 10% of the Company's finance lease portfolio in each of those years.

Maturities of the Company's gross finance lease receivables subsequent to December 31, 2019 are as follows (in thousands):

| Years ending December 31, | | |
|---|---|---|
| 2020 | $ | 121,050 |
| 2021 | | 86,315 |
| 2022 | | 79,494 |
| 2023 | | 60,855 |
| 2024 | | 43,765 |
| 2025 and thereafter | | 187,202 |
| Total | $ | 578,681 |

The Company evaluates potential losses in its finance lease portfolio by regularly evaluating the specific receivables in the portfolio and analyzing loss experience.

The Company considers an account past due when a payment has not been received in accordance with the terms of the related lease agreement and maintains allowances, if necessary, for doubtful accounts and estimated losses resulting from the inability of its lessees to make required payments under finance leases. These allowances are based on, but not limited to, each lessee's payment history, management's current assessment of each lessee's financial condition and the recoverability of the equipment. As of December 31, 2019 and December 31, 2018, the Company does not have an allowance on its gross finance lease receivables.

**Note 9—Share-Based Compensation**

*2016 Triton Plan*

On July 8, 2016, the Company's 2016 Equity Incentive Plan ("2016 Equity Plan") became effective. The 2016 Equity Plan provides for the granting of service-based and performance-based restricted shares to executives, employees and directors. The maximum aggregate number of shares that may be issued under the 2016 Equity Plan is initially 5,000,000 common shares. Any awards issued under the 2016 Equity Plan that are forfeited by the participant, will become available for future grant under the 2016 Equity Plan.

The following table summarizes the Company's restricted share activity for the year ended December 31, 2019:

| | Number of Shares | Weighted Average Fair Value |
|---|---|---|
| Non-vested balance at December 31, 2018 | 905,495 | $ 20.38 |
| Shares granted | 295,447 | 32.40 |
| Shares vested[(1)] | (637,128) | 15.80 |
| Shares forfeited | (2,602) | 34.50 |
| Non-vested balance at December 31, 2019 | 561,212 | $ 31.84 |

(1) Plan participants tendered 174,896 common shares to satisfy income tax withholding obligations. These shares were subsequently retired by the Company.

Additional shares may be granted based upon the satisfaction of certain performance criteria.

The share-based compensation expense for the years ended December 31, 2019, 2018 and 2017 included in administrative expenses on the consolidated statements of operations was $9.0 million, $9.0 million, and $5.6 million, respectively. Included in the expense are certain performance-based share expense where achievement of the performance condition was deemed probable.

As of December 31, 2019, the total unrecognized compensation costs related to restricted shares is approximately $7.5 million, which is expected to be recognized over the remaining weighted average vesting period of approximately 1.8 years.

**Note 10—Other Equity Matters**

*Equity Issuance*

In September 2017, the Company completed a common share offering in which it sold 6,152,500 common shares at a public offering price of $32.75 per share. The Company received $192.9 million in net proceeds from the offering. The net proceeds were used for general corporate purposes, including the purchase of containers.

*Share Repurchase Program*

Starting August 1, 2018, the Company's Board of Directors authorized a repurchase program for its common shares. Purchases under the repurchase program may be made in the open market or privately negotiated transactions, and may include transactions pursuant to a repurchase plan administered in accordance with Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended. Purchases may be made from time to time at the Company's discretion and the timing and amount of any share repurchases will be determined based on share price, market conditions, legal requirements, and other factors. The repurchase program does not obligate the Company to acquire any particular amount of common shares, and the Company may suspend or discontinue the repurchase program at any time.

During the year ended December 31, 2019, the Company repurchased 6,918,197 common shares at an average price per-share of $31.82 for a total of $220.1 million. During the year ended December 31, 2018, the Company repurchased 1,853,148 common shares at an average price per-share of $31.34 for a total of $58.1 million. As of December 31, 2019, $83.6 million remains available under the common share repurchase program.

***Preferred Shares***

The following table summarizes the Company's preferred share issuances (the "Series") during 2019:

| Preferred Share Offerings | Issuance | Liquidation Preference | | # of Shares[(1)] |
|---|---|---|---|---|
| Series A 8.50% Cumulative Redeemable Perpetual Preference Shares ("Series A") | March 2019 | $ | 86,250 | 3,450,000 |
| Series B 8.00% Cumulative Redeemable Perpetual Preference Shares ("Series B") | June 2019 | | 143,750 | 5,750,000 |
| Series C 7.375% Cumulative Redeemable Perpetual Preference Shares ("Series C") | November 2019 | | 175,000 | 7,000,000 |
| | | $ | 405,000 | 16,200,000 |

(1) Represents number of shares authorized, issued, and outstanding.

As a result of these offerings, the Company received $392.2 million in aggregate net proceeds after deducting underwriting discounts of $2.7 million, $4.6 million, and $5.5 million for Series A, Series B, and Series C, respectively. The net proceeds were used for general corporate purposes, including the purchase of containers, the repurchase of outstanding common shares, the payment of dividends, and the repayment or repurchase of outstanding indebtedness.

Each Series of preferred shares may be redeemed at the Company's option, at any time after approximately five years from original issuance, in whole or in part at a redemption price, which is equal to the issue price, of $25.00 per share plus an amount equal to all accumulated and unpaid dividends, whether or not declared. In the event of a Change of Control Triggering Event, the Company may also redeem each Series of preferred shares. If the Company does not elect to redeem each Series, holders of preferred shares may have the right to convert their preferred shares into common shares. A Change of Control Triggering Event occurs when a Change of Control is accompanied or followed by a downgrade or a withdrawal of the rating by the rating agency within 60 days following the Change of Control to any of the Series.

Holders of preferred shares generally have no voting rights. If the Company fails to pay dividends for six or more quarterly periods (whether or not consecutive), holders will be entitled to elect two additional directors to the Board of Directors and the size of the Board of Directors will be increased to accommodate such election. Such right to elect two directors will continue until such time as there are no accumulated and unpaid dividends in arrears.

*Dividends*

Dividends on shares of each Series are cumulative from the date of original issue and will be payable quarterly in arrears on the 15th day of March, June, September and December of each year, when, as and if declared by the Company's Board of Directors. Dividends will be payable equal to the stated rate per annum of the $25.00 liquidation preference per share. The Series rank senior to the Company's common shares with respect to dividend rights and rights upon the Company's liquidation, dissolution or winding up, whether voluntary or involuntary.

The Company paid the following quarterly dividends during the year ended December 31, 2019 on its issued and outstanding Series:

| | | Series A | | Series B | | Series C | |
|---|---|---|---|---|---|---|---|
| Record Date | Payment Date | Aggregate Payment | Per Share Payment | Aggregate Payment | Per Share Payment | Aggregate Payment | Per Share Payment |
| December 9, 2019 | December 16, 2019 | $1.8 million | $0.53125 | $2.9 million | $0.50000 | $1.4 million | $0.19462 |
| September 9, 2019 | September 16, 2019 | $1.8 million | $0.53125 | $2.6 million | $0.45000 | n/a | n/a |
| June 10, 2019 | June 17, 2019 | $1.8 million | $0.53125 | n/a | n/a | n/a | n/a |

As of December 31, 2019, the Company had cumulative unpaid preferred dividends of $1.3 million.

**Common Share Dividends**

The Company paid the following quarterly dividends during the years ended December 31, 2019, 2018, and 2017 on its issued and outstanding common shares:

| Record Date | Payment Date | Aggregate Payment | Per Share Payment |
|---|---|---|---|
| December 3, 2019 | December 20, 2019 | $37.3 Million | $0.52 |
| September 5, 2019 | September 26, 2019 | $37.6 Million | $0.52 |
| June 6, 2019 | June 27, 2019 | $38.6 Million | $0.52 |
| March 12, 2019 | March 28, 2019 | $40.4 Million | $0.52 |
| December 3, 2018 | December 20, 2018 | $41.0 Million | $0.52 |
| September 4, 2018 | September 25, 2018 | $41.6 Million | $0.52 |
| June 1, 2018 | June 22, 2018 | $41.6 Million | $0.52 |
| March 12, 2018 | March 28, 2018 | $36.1 Million | $0.45 |
| December 1, 2017 | December 22, 2017 | $36.0 Million | $0.45 |
| September 1, 2017 | September 22, 2017 | $33.2 Million | $0.45 |
| June 1, 2017 | June 22, 2017 | $33.2 Million | $0.45 |
| March 20, 2017 | March 30, 2017 | $33.2 Million | $0.45 |

***Accumulated Other Comprehensive Income***

The following table summarizes the components of accumulated other comprehensive income (loss), net of tax, for the years ended December 31, 2019, 2018, and 2017 (in thousands):

| | Cash Flow Hedges | Foreign Currency Translation | Accumulated Other Comprehensive (Loss) Income |
|---|---|---|---|
| **Balance at January 1, 2017** | $ 31,182 | $ (4,424) | $ 26,758 |
| Change in derivative instruments designated as cash flow hedges[1] | (407) | — | (407) |
| Reclassification of (gain) loss on derivative instruments designated as cash flow hedges[1] | 440 | — | 440 |
| Foreign currency translation adjustment | — | 151 | 151 |
| **Balance at December 31, 2017** | $ 31,215 | $ (4,273) | $ 26,942 |
| Change in derivative instruments designated as cash flow hedges[1] | (3,933) | — | (3,933) |
| Reclassification of (gain) loss on derivative instruments designated as cash flow hedges[1] | (5,210) | — | (5,210) |
| Tax reclassification to accumulated earnings for the adoption of ASU 2018-02 | (3,029) | $ — | (3,029) |
| Foreign currency translation adjustment | — | (207) | (207) |
| **Balance at December 31, 2018** | $ 19,043 | $ (4,480) | $ 14,563 |
| Change in derivative instruments designated as cash flow hedges[1] | (42,532) | — | (42,532) |
| Reclassification of (gain) loss on derivative instruments designated as cash flow hedges[1] | (4,039) | — | (4,039) |
| Cumulative effect for the adoption of ASU 2017-12, net of income tax effect | 432 | — | 432 |
| Foreign currency translation adjustment | — | (57) | (57) |
| **Balance at December 31, 2019** | $ (27,096) | $ (4,537) | $ (31,633) |

(1) Refer to Note 7 - "Derivative Instruments" for reclassification impact on the Consolidated Statements of Operations.

**Note 11—Segment and Geographic Information**

***Segment Information***

The Company operates its business in one industry, intermodal transportation equipment, and has two operating segments which also represent its reporting segments:

- Equipment leasing - the Company owns, leases and ultimately disposes of containers and chassis from its lease fleet.
- Equipment trading - the Company purchases containers from shipping line customers, and other sellers of containers, and resells these containers to container retailers and users of containers for storage or one-way shipment. Included in the equipment trading segment revenues are leasing revenues from equipment purchased for resale that is currently on lease until the containers are dropped off.

These operating segments were determined based on the chief operating decision maker's review and resource allocation of the products and services offered.

The following tables summarizes our segment information and the consolidated totals reported (in thousands):

| As of and for the Year Ended December 31, 2019 | Equipment Leasing | Equipment Trading | Totals |
|---|---|---|---|
| Total leasing revenues | $ 1,344,733 | $ 2,536 | $ 1,347,269 |
| Trading margin | — | 14,508 | 14,508 |
| Net gain on sale of leasing equipment | 27,041 | — | 27,041 |
| Depreciation and amortization expense | 535,427 | 704 | 536,131 |
| Interest and debt expense | 314,805 | 1,365 | 316,170 |
| Realized (gain) loss on derivative instruments, net | (2,229) | (8) | (2,237) |
| **Income (loss) before income taxes[(1)]** | 374,418 | 12,062 | 386,480 |
| Equipment held for sale | 89,755 | 24,749 | 114,504 |
| Goodwill | 220,864 | 15,801 | 236,665 |
| Total assets | 9,596,263 | 46,370 | 9,642,633 |
| Purchases of leasing equipment and investments in finance leases[(2)] | $ 240,170 | $ — | $ 240,170 |

| As of and for the Year Ended December 31, 2018 | Equipment Leasing | Equipment Trading | Totals |
|---|---|---|---|
| Total leasing revenues | $ 1,346,031 | $ 4,272 | $ 1,350,303 |
| Trading margin | — | 18,921 | 18,921 |
| Net gain on sale of leasing equipment | 35,377 | — | 35,377 |
| Depreciation and amortization expense | 544,167 | 971 | 545,138 |
| Interest and debt expense | 321,290 | 1,441 | 322,731 |
| Realized (gain) loss on derivative instruments, net | (2,066) | (6) | (2,072) |
| **Income (loss) before income taxes[(1)(3)]** | 416,270 | 17,563 | 433,833 |
| Equipment held for sale | 46,968 | 19,485 | 66,453 |
| Goodwill | 220,864 | 15,801 | 236,665 |
| Total assets | 10,224,421 | 45,592 | 10,270,013 |
| Purchases of leasing equipment and investments in finance leases[(2)] | $ 1,603,507 | $ — | $ 1,603,507 |

| As of and for the Year Ended December 31, 2017 | Equipment Leasing | Equipment Trading | Totals |
|---|---|---|---|
| Total leasing revenues | $ 1,160,196 | $ 3,321 | $ 1,163,517 |
| Trading margin | — | 4,184 | 4,184 |
| Net gain on sale of leasing equipment | 35,812 | — | 35,812 |
| Depreciation and amortization expense | 500,099 | 621 | 500,720 |
| Interest and debt expense | 280,909 | 1,438 | 282,347 |
| Realized (gain) loss on derivative instruments, net | 900 | — | 900 |
| **Income (loss) before income taxes(1)** | 262,574 | 3,254 | 265,828 |
| Equipment held for sale | 31,534 | 11,661 | 43,195 |
| Goodwill | 220,864 | 15,801 | 236,665 |
| Total assets | 9,534,330 | 43,295 | 9,577,625 |
| Purchases of leasing equipment and investments in finance leases(2) | $ 1,562,863 | $ — | $ 1,562,863 |

(1) Segment income (loss) before income taxes excludes unrealized loss of $3.1 million and $0.4 million for the years ended December 31, 2019 and 2018, respectively, and unrealized gain of $1.4 million for the year ended December 31, 2017, and debt termination expense of $2.5 million, $6.1 million, and $7.0 million for the years ended December 31, 2019, 2018, and 2017, respectively.
(2) Represents cash disbursements for purchases of leasing equipment and investments in finance lease as reflected in the consolidated statements of cash flows for the periods indicated, but excludes cash flows associated with the purchase of equipment held for resale.
(3) Equipment leasing segment includes gain on sale of an office building of $21.0 million for the year ended December 31, 2018.

There are no intercompany revenues or expenses between segments. Certain administrative expenses have been allocated between segments based on an estimate of services provided to each segment. A portion of the Company's equipment purchased for resale may be leased for a period of time and is reflected as leasing equipment as opposed to equipment held for sale and the cash flows associated with these transactions are reflected as purchases of leasing equipment and proceeds from the sale of equipment in investing activities in the Company's consolidated statements of cash flows.

***Geographic Segment Information***

The Company generates the majority of its leasing revenues from international containers which are deployed by its customers in a wide variety of global trade routes. The majority of the Company's leasing related revenue is denominated in U.S. dollars.

The following table summarizes the geographic allocation of equipment leasing revenues for the years ended December 31, 2019, 2018, and 2017 based on customers' primary domicile (in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Total equipment leasing revenues: | | | |
| Asia | $ 534,529 | $ 553,928 | $ 491,996 |
| Europe | 654,683 | 630,031 | 518,598 |
| Americas | 118,259 | 124,885 | 111,558 |
| Bermuda | 2,182 | 2,988 | 1,745 |
| Other International | 37,616 | 38,471 | 39,620 |
| Total | $ 1,347,269 | $ 1,350,303 | $ 1,163,517 |

Since the majority of the Company's containers are used internationally, where no one container is domiciled in one particular place for a prolonged period of time, all of the Company's long-lived assets are considered to be international.

The following table summarizes the geographic allocation of equipment trading revenues for the years ended December 31, 2019, 2018 and 2017 based on the location of the sale (in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Total equipment trading revenues: | | | |
| Asia | $ 13,752 | $ 18,536 | $ 17,342 |
| Europe | 27,637 | 21,211 | 8,383 |
| Americas | 31,943 | 34,167 | 7,747 |
| Bermuda | — | — | 22 |
| Other International | 10,661 | 9,125 | 3,925 |
| Total | $ 83,993 | $ 83,039 | $ 37,419 |

**Note 12—Income Taxes**

The Company is a Bermuda exempted company. Bermuda does not impose a corporate income tax. The Company is subject to taxation in certain foreign jurisdictions on a portion of its income attributable to such jurisdictions. The two main subsidiaries of Triton are TCIL and TAL. TCIL is a Bermuda exempted company and therefore no income tax is imposed. However, a portion of TCIL's income is subject to taxation in the U.S. and certain other foreign jurisdictions. TAL is a U.S. company and therefore is subject to taxation in the U.S.

The following table sets forth the total income taxes for the periods indicated (in thousands):

| | December 31, 2019 | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| Current taxes: | | | |
| Bermuda | $ — | $ — | $ — |
| U.S. | (637) | 3,164 | 36 |
| Foreign | 1,166 | 1,072 | 839 |
| | $ 529 | $ 4,236 | $ 875 |
| Deferred taxes: | | | |
| Bermuda | $ — | $ — | $ — |
| U.S. | 26,843 | 67,136 | (94,079) |
| Foreign | 179 | (731) | (70) |
| | 27,022 | 66,405 | (94,149) |
| Total income taxes | $ 27,551 | $ 70,641 | $ (93,274) |

The components of income (loss) before income taxes for the periods indicated below were as follows (in thousands):

| | December 31, 2019 | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| Bermuda sources | $ 241,985 | $ 128,905 | $ 134,849 |
| U.S. sources | 135,758 | 288,386 | 125,799 |
| Foreign sources | 3,087 | 10,022 | (396) |
| Income (loss) before income taxes | $ 380,830 | $ 427,313 | $ 260,252 |

The difference between the Bermuda statutory income tax rate and the effective tax rate on the consolidated statements of operations for the periods indicated below were as follows:

| | December 31, 2019 | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| Bermuda tax rate | — % | —% | — % |
| Change in enacted tax act | — % | 1.02% | (53.55)% |
| U.S. income taxed at other than the statutory rate | 7.85 % | 14.67% | 17.10 % |
| Effect of uncertain tax positions | 0.17 % | 0.07% | 0.21 % |
| Foreign income taxed at other than the statutory rate | 0.14 % | 0.18% | 0.10 % |
| Effect of permanent differences | 0.12 % | 0.28% | 0.04 % |
| Other discrete items | (1.05)% | 0.31% | 0.26 % |
| Effective income tax rate | 7.23 % | 16.53% | (35.84)% |

Deferred income tax assets and liabilities are comprised of the following (in thousands):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Deferred income tax assets: | | |
| Net operating loss carryforwards | $ 71,138 | $ 60,173 |
| Allowance for losses | 141 | 98 |
| Derivative instruments | 4,899 | 934 |
| Deferred income | 395 | 359 |
| Accrued liabilities and other payables | 3,118 | 3,875 |
| Total gross deferred tax assets | 79,691 | 65,439 |
| Less: Valuation allowance | — | — |
| Net deferred tax assets | $ 79,691 | $ 65,439 |
| | | |
| Deferred income tax liabilities: | | |
| Accelerated depreciation | $ 353,991 | $ 318,779 |
| Goodwill and other intangible amortization | 3,775 | 2,981 |
| Derivative instruments | 105 | 2,306 |
| Deferred income | 11,034 | 19,294 |
| Deferred partnership income (loss) | 11,786 | 967 |
| Other | 317 | 3,241 |
| Total gross deferred tax liability | 381,008 | 347,568 |
| Net deferred income tax liability | $ 301,317 | $ 282,129 |

The Company has not recorded a valuation allowance for deferred tax assets as of December 31, 2019 and December 31, 2018.

In assessing the potential future realization of deferred tax assets, management considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods during which the deferred tax assets are deductible, the Company believes it is more-likely-than-not that the Company will realize the benefits of these deductible differences at December 31, 2019.

Certain income taxes on unremitted earnings have not been reflected on the consolidated financial statements because such earnings are intended to be permanently reinvested in those jurisdictions. Such earnings and related withholding taxes are estimated to be approximately $62.0 million and $18.0 million, respectively, at December 31, 2019.

The Tax Cuts and Jobs Act includes a tax on global intangible low-taxed income ("GILTI"), which taxes U.S shareholders on certain income earned by foreign subsidiaries. The Company has made an accounting policy election to account for the tax effects of the GILTI tax in the income tax provision in future periods as the tax arises.

Net operating loss carryforwards for U.S. federal income tax purposes of $331.0 million at December 31, 2019 are available to offset future U.S. taxable income. Of the total net operating loss carryforwards, $279.0 million are available to offset future U.S. taxable income from 2020 through 2037. The remaining $52.0 million are carried forward indefinitely but subject to a limitation of 80% of the year's U.S. taxable income.

The Company files income tax returns in several jurisdictions including the U.S. and certain U.S. states.

The following table summarizes unrecognized tax benefit amounts as follows (in thousands):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Beginning balance at January 1 | $ 8,590 | $ 8,250 |
| Increase (decrease) related to tax positions | (7,248) | 1,652 |
| Lapse of statute of limitations | (333) | (1,367) |
| Foreign exchange adjustment | (51) | 55 |
| Ending balance at December 31 | $ 958 | $ 8,590 |

As of December 31, 2019, the total amount of unrecognized tax benefits was $1.0 million, which reflects a reversal of a liability established on prior years' unrecognized tax benefits of $7.2 million. The Company determined during the third quarter of 2019 that a previously reserved tax position meets the 'more-likely-than-not' recognition threshold. The $7.2 million liability reversed during 2019 was fully offset by a corresponding receivable representing reimbursement from third parties. Therefore, the reversal has no impact on net income.

It is reasonably possible that the total amount of unrecognized tax benefits as of December 31, 2019 will decrease by $0.3 million within the next twelve months due to statute of limitations lapses. This reduction will impact income tax expense when recognized. The tax years 2016 through 2019 remain subject to examination by major tax jurisdictions.

The Company accrues interest and penalties related to income taxes in the provision for income taxes.

The following table summarizes interest and penalty expense as follows (in thousands):

| | December 31, 2019 | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| Interest expense (benefit) | $ 193 | $ 98 | $ 144 |
| Penalty expense (benefit) | $ (115) | $ (158) | $ (64) |

The following table summarizes the components of income taxes payable included in Accounts payable and other accrued expenses on the consolidated balance sheets were as follows (in thousands):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Corporate income taxes payable | $ 29 | $ 906 |
| Unrecognized tax benefits | 958 | 8,590 |
| Interest accrued | 215 | 922 |
| Penalties | 287 | 402 |
| Income taxes payable | $ 1,489 | $ 10,820 |

**Note 13—Other Postemployment Benefits**

The Company's U.S. employees participate in a defined contribution plan. Under the provisions of the plan, an employee is fully vested with respect to Company contributions after four years of service. The Company matches employee contributions of 100% up to a maximum of $6,000 of qualified compensation and may, at its discretion, make voluntary contributions. The

Company's contributions were $0.7 million, $0.7 million, and $1.0 million for each of the years ended December 31, 2019, 2018, and 2017, respectively.

## Note 14—Commitments and Contingencies

### *Container Equipment Purchase Commitments*

As of December 31, 2019, the Company had commitments to purchase equipment in the amount of $42.7 million payable in 2020.

### *Contingencies*

The Company is party to various pending or threatened legal or regulatory proceedings arising in the ordinary course of its business. Based upon information presently available, the Company does not expect any liabilities arising from these matters to have a material effect on the consolidated financial position, results of operations or cash flows of the Company.

### *Severance*

In connection with the Merger, the Company recorded severance costs of $9.3 million for the year ended December 31, 2017 in Transaction and other costs on the consolidated statements of operations.

## Note 15—Selected Quarterly Financial Data (Unaudited)

The following table sets forth certain key interim financial information for the years ended December 31, 2019 and 2018:

**(In thousands, except per share amounts)**

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|---|---|---|---|
| **2019** | | | | |
| Total leasing revenues | $ 340,859 | $ 338,566 | $ 336,668 | $ 331,176 |
| Trading margin | $ 3,587 | $ 4,496 | $ 4,150 | $ 2,275 |
| Net gain on sale of leasing equipment | $ 8,469 | $ 7,519 | $ 6,196 | $ 4,857 |
| Net income attributable to shareholders | $ 91,914 | $ 84,071 | $ 85,895 | $ 77,161 |
| Net income per basic common share | $ 1.18 | $ 1.13 | $ 1.18 | $ 1.07 |
| Net income per diluted common share | $ 1.17 | $ 1.12 | $ 1.17 | $ 1.07 |
| **2018** | | | | |
| Total leasing revenues | $ 315,097 | $ 329,771 | $ 350,078 | $ 355,357 |
| Trading margin | $ 2,991 | $ 3,994 | $ 5,810 | $ 6,126 |
| Net gain on sale of leasing equipment | $ 9,218 | $ 11,105 | $ 7,055 | $ 7,999 |
| Net income attributable to shareholders | $ 80,892 | $ 104,870 | $ 94,236 | $ 69,557 |
| Net income per basic common share | $ 1.01 | $ 1.31 | $ 1.18 | $ 0.88 |
| Net income per diluted common share | $ 1.00 | $ 1.30 | $ 1.17 | $ 0.87 |

## Note 16—Related Party Transactions

The Company holds a 50% interest in TriStar Container Services (Asia) Private Limited ("TriStar"), which is primarily engaged in the selling and leasing of container equipment in the domestic and short sea markets in India. The Company's equity investment in TriStar is included in Other assets on the consolidated balance sheet. The Company received payments on direct finance leases with TriStar of $1.8 million for both years ended December 31, 2019 and 2018. The Company has a direct finance lease balance with TriStar of $10.7 million for both December 31, 2019 and December 31, 2018. In 2019, the Company invested an additional $0.8 million to maintain its 50% ownership.

**Note 17—Subsequent Events**

On January 24, 2020, the Company completed a public offering of 6.875% Series D Cumulative Redeemable Perpetual Preference Shares ("Series D"), selling 6,000,000 shares and generating gross proceeds of $150.0 million. The estimated costs associated with the offering, inclusive of underwriting discount and other offering expenses, were $5.2 million. At any time on or after March 15, 2025, the Series D may be redeemed at the Company's option.

On February 12, 2020, the Company's Board of Directors has approved and declared a cash dividend of $0.53125 per share, $0.50 per share, and $0.46094 per share on its issued and outstanding 8.5% Series A Preference shares, 8.00% Series B Preference shares, and 7.375% Series C Preference shares, respectively, payable on March 16, 2020 to holders of record at the close of business on March 9, 2020. The Board of Directors also approved and declared an initial cash dividend of $0.24349 per share on its issued and outstanding 6.875% Series D Preference Shares, payable on March 16, 2020 to holders of record at the close of business on March 9, 2020.

On February 12, 2020, the Company's Board of Directors approved and declared a $0.52 per share quarterly cash dividend on its issued and outstanding common shares, payable on March 27, 2020 to shareholders of record at the close of business on March 13, 2020.

## SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

## TRITON INTERNATIONAL LIMITED

### Parent Company Condensed Balance Sheets
### (In thousands, except share data)

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| **ASSETS:** | | |
| Cash and cash equivalents | $ 1 | $ 2 |
| Investment in subsidiaries | 2,535,211 | 2,250,159 |
| Other assets | 49 | 10 |
| **Total assets** | $ 2,535,261 | $ 2,250,171 |
| | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY:** | | |
| Accounts payable and other accrued expenses | $ 2,381 | $ 5,988 |
| Intercompany payable | 643 | 487 |
| Intercompany loan | — | 40,000 |
| **Total liabilities** | 3,024 | 46,475 |
| **Shareholders' equity** | | |
| Preferred shares, $0.01 par value, at liquidation preference | 405,000 | — |
| Common shares, $0.01 par value, 270,000,000 shares authorized, 80,979,833 and 80,843,472 shares issued, respectively | 810 | 809 |
| Undesignated shares, $0.01 par value, 13,800,000 and 30,000,000 shares authorized, respectively, no shares issued and outstanding | — | — |
| Treasury shares, at cost, 8,771,345 and 1,853,148 shares, respectively | (278,510) | (58,114) |
| Additional paid-in capital | 902,725 | 896,811 |
| Accumulated earnings | 1,533,845 | 1,349,627 |
| Accumulated other comprehensive income | (31,633) | 14,563 |
| **Total shareholders' equity** | 2,532,237 | 2,203,696 |
| **Total liabilities and shareholders' equity** | $ 2,535,261 | $ 2,250,171 |

**TRITON INTERNATIONAL LIMITED**

**Parent Company Condensed Statements of Operations**
**(In thousands)**

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| Revenues: | | | |
| Revenues | $ — | $ — | $ — |
| **Total revenues** | — | — | — |
| | | | |
| **Operating expenses:** | | | |
| Administrative expenses | 5,865 | 5,343 | 4,011 |
| Operating income (loss) | (5,865) | (5,343) | (4,011) |
| **Other income (expenses):** | | | |
| Interest and debt expense | (956) | (57) | — |
| Net income from subsidiaries | 359,508 | 354,955 | 348,609 |
| **Total other income (expenses)** | 358,552 | 354,898 | 348,609 |
| Income (loss) before income taxes | 352,687 | 349,555 | 344,598 |
| Income tax expense (benefit) | — | — | — |
| **Net income (loss)** | $ 352,687 | $ 349,555 | $ 344,598 |

**TRITON INTERNATIONAL LIMITED**

**Parent Company Condensed Statements of Cash Flows**
**(In thousands)**

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| **Cash flows from operating activities:** | | | |
| Net income (loss) | $ 352,687 | $ 349,555 | $ 344,598 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Net (income) loss from subsidiaries | (359,508) | (354,955) | (348,609) |
| Dividends received from subsidiaries | 338,569 | 220,304 | 197,171 |
| Share-based compensation expense | 1,403 | 1,252 | 1,084 |
| Changes in operating assets and liabilities: | | | |
| Other | (3,696) | 409 | 2,622 |
| **Net cash provided by (used in) operating activities** | 329,455 | 216,565 | 196,866 |
| **Cash flows from investing activities:** | | | |
| Investment in subsidiary | (291,997) | (40,000) | (254,240) |
| **Net cash provided by (used in) investing activities** | (291,997) | (40,000) | (254,240) |
| **Cash flows from financing activities:** | | | |
| Issuance of preferred shares, net of underwriting discount | 392,242 | — | — |
| Issuance of common shares, net of underwriting discount | — | — | 192,931 |
| Purchases of treasury shares | (222,236) | (56,274) | — |
| Intercompany loan | (40,000) | 40,000 | — |
| Dividends paid on preferred shares | (12,323) | — | — |
| Dividends paid on common shares | (153,861) | (160,289) | (135,557) |
| Other | (1,281) | — | — |
| **Net cash provided by (used in) financing activities** | (37,459) | (176,563) | 57,374 |
| **Net increase (decrease) in cash and cash equivalents** | $ (1) | $ 2 | $ — |
| Cash, cash equivalents and restricted cash, beginning of period | 2 | — | — |
| **Cash, cash equivalents and restricted cash, end of period** | $ 1 | $ 2 | $ — |

**SCHEDULE II**

**TRITON INTERNATIONAL LIMITED**
**Valuation and Qualifying Accounts**
**Years ended December 31, 2019, 2018, and 2017**

**(In thousands)**

| | For the year ended December 31, | | |
|---|---|---|---|
| **Finance Lease-Allowance for doubtful accounts:** | **2019** | **2018** | **2017** |
| Beginning Balance | $ — | $ — | $ 527 |
| Additions / (Reversals) | — | — | (527) |
| (Write-offs) / Reversals | — | — | — |
| Ending Balance | $ — | $ — | $ — |
| **Accounts Receivable-Allowance for doubtful accounts:** | | | |
| Beginning Balance | $ 1,240 | $ 3,002 | $ 28,082 |
| Additions / (Reversals) | 114 | (568) | 581 |
| (Write-offs) / Reversals | (78) | (1,194) | (25,661) |
| Ending Balance | $ 1,276 | $ 1,240 | $ 3,002 |

**Exhibit 4.6**

## Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934

Triton International Limited had five classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended ("Exchange Act"): (i) common shares, $0.01 par value per share (ii) 8.50% Series A Cumulative Redeemable Perpetual Preference Shares, $0.01 par value and $25.00 liquidation preference per share (the "Series A Preference Shares"), (iii) 8.00% Series B Cumulative Redeemable Perpetual Preference Shares, $0.01 par value and $25.00 liquidation preference per share (the "Series B Preference Shares"), (iv) 7.375% Series C Cumulative Redeemable Perpetual Preference Shares, $0.01 par value and $25.00 liquidation preference per share (the "Series C Preference Shares") and (v) 6.875% Series D Cumulative Redeemable Perpetual Preference Shares, $0.01 par value and $25.00 liquidation preference per share (the "Series D Preference Shares" and together with the Series A Preference Shares, the Series B Preference Shares and the Series C Preference Shares, the "Preference Shares" and each separately, a "series of Preference Shares").

In this description, the terms "the Company," "Triton," "we," "our" or "us" means Triton International Limited.

### Description of Capital Stock

The following summary description of our common shares and each series of Preference Shares is based on the applicable provisions of the Bermuda Companies Act, our memorandum of association, as amended ("Memorandum of Association"), our amended and restated bye-laws ("Bye-laws"), and the certificate of designations for each series of Preference Shares establishing the rights, limitations and preferences for the respective series of Preference Shares (each, a "Certificate of Designations"). This description does not purport to be complete and is qualified in its entirety by reference to the full text of the Bermuda Companies Act, as it may be amended from time to time, and to the terms of our Memorandum of Association, Bye-laws and the Certificates of Designations for the Preference Shares, each of which is filed as an exhibit to our Annual Report on Form 10-K of which this exhibit 4.6 forms a part. As used in this description, the terms "Triton," the "Company," "we," "our" and "us" refer to Triton International Limited, a Bermuda exempted company, and do not, unless otherwise specified, include our subsidiaries.

### Authorized Capital Stock

General. Our authorized capital stock consisted of 270,000,000 common shares; 20,800,000 undesignated shares; 3,450,000 Series A Preference Shares; 5,750,000 Series B Preference Shares; 7,000,000 Series C Preference Shares; and 6,000,000 Series D Preference Shares.

### Common Shares

*Liquidation and Preemptive Rights*

In the event of a voluntary or involuntary liquidation, dissolution or winding up of Triton, the holders of Triton common shares will be entitled to share equally in any of the assets available for distribution after Triton has paid in full all of its debts and after the holders of all series of Triton's outstanding preferred shares, if any, have received their liquidation preferences in full.

Holders of Triton common shares are not be entitled to preemptive rights. The common shares are not be convertible into shares of any other class of common shares of Triton.

*Dividend Rights*

Under Bermuda law, holders of our common shares will be entitled to receive dividends when and as declared by our board of directors out of any funds of the Company legally available for the payment of such dividends, subject to any preferred dividend rights that may exist from time to time. Bermuda law does not permit payment of dividends, or distributions of contributed surplus, by a company if there are reasonable grounds for believing that:

- the company is, or would be, after the payment is made, unable to pay its liabilities as they become due; or
- the realizable value of the company's assets would be less than its liabilities.

Under Triton's Bye-laws, the board of directors has the power to declare dividends or distributions out of contributed surplus, and to determine that any dividend shall be paid in cash or shall be satisfied in paying up in full shares to be issued to the shareholders credited as fully paid or partly paid or partly in one way or partly in the other. The board of directors may also pay any fixed cash dividend whenever the position of the Company justifies such payment.

*Voting Rights*

Subject to the rights, if any, of the holders of any series of preferred shares, if and when issued and subject to applicable law, each holder of Triton common shares will be entitled to one vote per share and all voting rights will be vested in those holders of record on the applicable record date on all matters voted on by the Triton shareholders. Holders of Triton common shares will have noncumulative voting rights, which means that the holders of more than 50% of the shares voting for the election of directors to the board can elect 100% of the directors to the board and the holders of the remaining shares will not be able to elect any directors to the board.

*Meetings of Shareholders*

Special general meetings of the shareholders of Triton may be called (i) by the board of directors or (ii) when requisitioned by shareholders pursuant to the provisions of the Bermuda Companies Act. Under the Bermuda Companies Act, the shareholders may requisition a special general meeting, provided they hold at the date of the deposit of the requisition shares representing not less than 10% of the paid-up capital of the company. The requisition must state the purpose of the meeting, and must be signed by the requisitionists and deposited at the registered office of the company. If, within 21 days from the date of the deposit of the requisition, the directors do not proceed to convene a meeting, the requisitionists, or any of them representing more than 50% of the total voting rights of all of them, may themselves convene a meeting, which must be convened within three months of the date of the deposit of the requisition.

*Restrictions on Transfers of Shares*

The board of directors may in its absolute discretion, and without providing a reason, refuse to register the transfer of a share which is not fully paid up. The board of directors may also refuse to register a transfer unless the shares of Triton are (i) listed on an appointed stock exchange (of which the NYSE is one) or (ii) (A) a duly executed instrument of transfer is provided to Triton or Triton's transfer agent accompanied by the certificate (if any has been issued) in respect of the shares to which it relates and by such other evidence as the board of directors may reasonably require to show the right of the transferor to make the transfer, (B) the instrument of transfer is only in respect of one class of shares, (C) the instrument of transfer is in favor of less than five persons jointly, and (D) all applicable consents, authorizations, permissions or approvals of any governmental body or agency in Bermuda or any other applicable jurisdiction have been obtained (if required). If the board of directors refuses to register a transfer of any share, it must send to the transferee notice of the refusal within three months after the date on which the instrument of transfer was lodged with Triton.

Shares listed on an appointed stock exchange, such as the NYSE, may be transferred by any means permitted by the rules of such exchange.

*Election and Removal of Directors*

Except in the case of vacancies, each director is elected by the affirmative vote of a majority of the votes cast as the general meeting of shareholders of Triton.

The Bye-laws of Triton provide that any vacancies on the board of directors not filled at any general meeting will be deemed casual vacancies and the board of directors, so long as a quorum of directors remains in office, will have the power at any time and from time to time, to appoint any individual to be a director so as to fill a casual vacancy. A director so appointed will hold office only until the next following annual general meeting. If not reappointed at such annual general meeting, the director will vacate office at the conclusion of the annual general meeting.

Under the Bermuda Companies Act, a director may be removed from office by the shareholders at a special general meeting called for that purpose. The notice of a meeting convened for the purpose of removing a director must contain a statement of intention to do so and be served on such director not less than 14 days before the meeting. The director subject to removal will be entitled to be heard on the motion for his removal.

*Amendment of Memorandum of Association*

Under the Bermuda Companies Act, the memorandum of association of a company may be amended by the affirmative vote of a majority resolution of the board of directors, but the amendment will not be operative unless and until it is approved at a subsequent general meeting of the shareholders by a resolution approved by the affirmative vote of a majority of the votes cast on such resolution. An amendment to the memorandum of association that alters a company’s business objects may require approval by the Bermuda Minister of Finance, who may grant or withhold approval at his or her discretion.

*Amendment of Bye-laws*

Subject to certain exceptions, the Triton Bye-laws may be revoked or amended by the affirmative vote of a majority resolution of the board of directors, but the revocation or amendment will not be operative unless and until it is approved at a subsequent general meeting of the shareholders of Triton by a resolution approved by the affirmative vote of a majority of the votes cast on such resolution.

*Approval of Certain Transactions*

*Amalgamations and Mergers:* Under the Bermuda Companies Act, the amalgamation or merger of a Bermuda company with another company (wherever incorporated) (other than certain affiliated companies) requires the amalgamation or merger to be approved by the board of directors and by its shareholders. The Triton Bye-laws provide that a merger or amalgamation must be approved by (i) the affirmative vote of a majority of the board of directors and (ii) the affirmative vote of a majority of votes cast at a general meeting of shareholders. For purposes of approval of an amalgamation or merger, all shares, whether or not otherwise entitled to vote, carry the right to vote. Holders of a separate class of shares are entitled to a separate class vote if the rights of such class would be varied by virtue of the amalgamation or merger.

*Sale of Assets:* The Bermuda Companies Act is silent on whether a company's shareholders are required to approve a sale, lease or exchange of all or substantially all of a company's property and assets. Bermuda law does require, however, that shareholders approve certain forms of mergers and reconstructions.

*Takeovers:* Bermuda does not have any takeover regulations applicable to shareholders of Bermuda companies.

**Preference Shares**

*General*

There are 3,450,000 Series A Preference Shares, 5,750,000 Series B Preference Shares, 7,000,000 Series C Preference Shares and 6,000,000 Series D Preference Shares issued and outstanding. We may, without notice to or consent of the holders of the then-outstanding Preference Shares of any series, authorize and issue additional Preference Shares of such series and Junior Securities (as defined below) and, subject to the limitations described under "-Voting Rights," Senior Securities (as defined below) and Parity Securities (as defined below).

The holders of our common shares are entitled to receive, to the extent permitted by law, such dividends as may from time to time be declared by our board of directors; however, no dividend may be declared or paid or set apart for payment on any Junior Securities including our common shares (other than a dividend payable solely in shares of Junior Securities) unless full cumulative dividends have been or contemporaneously are being paid or provided for on all outstanding Preference Shares and any Parity Securities through the most recent respective Dividend Payment Dates.

Upon any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, the holders of our common shares are entitled to receive distributions of our assets, after we have satisfied or made provision for our debts and other obligations and for payment to the holders of shares of any class or series of capital stock (including the Preference Shares) having preferential rights to receive distributions of our assets.

The Preference Shares of each series entitle the holders thereof to receive cumulative cash dividends when, as and if declared by our board of directors out of legally available funds for such purpose. Each Preference Share has a fixed liquidation preference of $25.00 per share plus an amount equal to accumulated and unpaid dividends thereon to the date fixed for payment, whether or not declared. See "-Liquidation Rights."

The Preference Shares represent perpetual equity interests in us and, unlike our indebtedness, do not give rise to a claim for payment of a principal amount at a particular date. As such, the Preference Shares rank junior to all of our indebtedness and other liabilities with respect to assets available to satisfy claims against us.

Except as described below under "-Change of Control-Conversion Right Upon a Change of Control Triggering Event," the Preference Shares are not be convertible into common shares or other of our securities and will not have exchange rights or be entitled or subject to any preemptive or similar rights. The Preference Shares will not be subject to mandatory redemption or to any sinking fund requirements. The Preference Shares will be subject to redemption, in whole or in part, at our option at any time on or after March 15, 2024 in the case of the Series A Preference Shares, September 15, 2024 in the case of the Series B Preference Shares, December 15, 2024 in the case of the Series C Preference Shares and March 15, 2025 in the case of the Series D Preference Shares. See “-Redemption.”

We have appointed Computershare Trust Company, N.A. as the paying agent (the “Paying Agent”), and the registrar and transfer agent (the “Registrar and Transfer Agent”) for the Preference Shares. The address of the Paying Agent is PO Box 505000, Louisville, KY 40233.

*Ranking*

Each series of Preference Shares will, with respect to anticipated quarterly dividends and distributions upon the liquidation, winding up and dissolution of our affairs, rank:

- senior to our common shares and to each other class or series of capital stock established after the original issue date of such series of Preference Shares that is not expressly made senior to, or on parity with, such series of Preference Shares as to the payment of dividends and amounts payable upon liquidation, dissolution or winding up, whether voluntary or involuntary (“Junior Securities”);
- on a parity with the other series of Preference Shares and any other class or series of capital stock established after the original issue date of such series of Preference Shares that is expressly made equal to such series of Preference Shares as to the payment of dividends and amounts payable upon liquidation, dissolution or winding up, whether voluntary or involuntary (“Parity Securities”); and
- junior to all of our indebtedness and other liabilities with respect to assets available to satisfy claims against us and junior to each class or series of capital stock expressly made senior to such series of Preference Shares as to the payment of dividends and amounts payable upon liquidation, dissolution or winding up, whether voluntary or involuntary (such classes or series of capital stock referred to herein as (“Senior Securities).”

We may issue Junior Securities from time to time in one or more series without the consent of the holders of any series of Preference Shares. We may also issue any Parity Securities as long as the cumulative dividends on the Preference Shares are not in arrears. Our board of directors has the authority to determine the preferences, powers, qualifications, limitations, restrictions and special or relative rights or privileges, if any, of any such series before the issuance of any shares of that series. Our board of directors will also determine the number of shares constituting each series of securities. Our ability to issue Senior Securities is limited as described under “-Voting Rights.”

*Liquidation Rights*

The holders of Preference Shares will be entitled, in the event of any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, to receive the liquidation preference of $25.00 per share in cash plus an amount equal to accumulated and unpaid dividends thereon to the date fixed for payment of such amount (whether or not declared), and no more, before any distribution will be made to the holders of our common shares or any other Junior Securities. A consolidation or merger of us with or into any other entity, individually or in a series of transactions, will not be deemed a liquidation, dissolution or winding up of our affairs for this purpose. In the event that our assets available for distribution to holders of the Preference Shares and any other Parity Securities are insufficient to permit payment of all required amounts, our assets then remaining will be distributed among the Preference Shares and any Parity Securities, as applicable, ratably on the basis of their relative aggregate liquidation preferences. After payment of all required amounts to the holders of the outstanding Preference Shares and other Parity Securities, our remaining assets and funds will be distributed among the holders of the common shares and any other Junior Securities then outstanding according to their respective rights.

*Voting Rights*

Each series of Preference Shares will have no voting rights except as set forth below or as otherwise provided by Bermuda law. In the event that dividends payable on the Preference Shares of any series are in arrears for six or more quarterly periods, whether or not consecutive, holders of the Preference Shares of such series (voting together as a class with the other series of Preference Shares and all other classes or series of Parity Securities upon which like voting rights have been conferred and are exercisable) will be entitled to elect two additional directors to serve on our board of directors, and the size of our board of directors will be increased as needed to accommodate such change (unless the size of our board of directors has already been increased by reason of the election of directors by holders of Parity Securities upon which like voting rights have been conferred and with which such series of A Preference Shares voted as a class for the election of such directors). Dividends payable on the Preference Shares of any series will be considered to be in arrears for any quarterly period for which full cumulative dividends through the most recent Dividend Payment Date have not been paid on all outstanding Preference Shares of such series. The right of such holders of Preference Shares of any series to elect two members of our board of directors will continue until such time as there are no accumulated and unpaid dividends in arrears on such series of Preference Shares, at which time such right will terminate, subject to revesting in the event of each and every subsequent failure to pay six quarterly dividends as described above. Upon any termination of the right of the holders of Preference Shares of any series and any other Parity Securities to vote as a class for such directors, the term of office of such directors then in office elected by such holders voting as a class will terminate immediately. Any directors elected by the holders of the Preference Shares of any series and any other Parity Securities shall each be entitled to one vote on any matter before our board of directors.

Subject to the Companies Act 1981 of Bermuda, as amended, none of the special rights attached to the Preference Shares of any series may be altered or abrogated by any amendment to the Company's Bye-laws or the Certificate of Designations for such series of Preference Shares without (i) the consent in writing of the holders of not less than seventy-five percent (75%) of the issued and outstanding Preference Shares of such series, voting as a single class or (ii) the sanction of a resolution passed by not less than seventy-five percent (75%) of the issued and outstanding Preference Shares of such series, voting as a single class, at a separate general meeting of the holders of Preference Shares of such series voting in person or by proxy.

In addition, unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Preference Shares of any series, voting as a class together with holders of any other Parity Securities upon which like voting rights have been conferred and are exercisable, we may not:

- issue any Parity Securities if the cumulative dividends payable on outstanding Preference Shares of such series are in arrears; or
- create or issue any Senior Securities.

For the avoidance of doubt, we do not need to obtain the affirmative vote or consent of holders of any shares of Preference Shares to issue any debt securities, or incur any other indebtedness or other liabilities.

On any matter described above in which the holders of the Preference Shares of any series are entitled to vote as a class, such holders will be entitled to one vote per share. Any Preference Shares held by us or any of our subsidiaries or affiliates will not be entitled to vote.

Preference Shares held in nominee or street name account will be voted by the broker or other nominee in accordance with the instruction of the beneficial owner unless the arrangement between the beneficial owner and his nominee provides otherwise.

*Dividends*

*Dividend Rate*

Holders of Preference Shares of each series will be entitled to receive, when, as and if declared by our board of directors or any authorized committee thereof, out of legally available funds for such purpose, cumulative cash dividends at the rate of (i) 8.50% per annum of the $25.00 liquidation preference per share, or $2.1250 per share per year, (ii) 8.00% per annum of the $25.00 liquidation preference per share, or $2.00 per share per year, (iii) 7.375% per annum of the $25.00 liquidation preference per share, or $1.84375 per share per year and (iv) 6.875% per annum of the $25.00 liquidation preference per share, or $1.71875 per share per year, in each case, payable on each Dividend Payment Date.

*Dividend Payment Dates*

The “Dividend Payment Dates” for each series of Preference Shares will be the 15th day of each March, June, September and December. Dividends for each series of Preference Shares will accumulate in each dividend period from and including the preceding Dividend Payment Date or the initial issue date, as the case may be, to but excluding the applicable Dividend Payment Date for such dividend period. In the case of the Series A Preference Shares and the Series B Preference Shares, dividends will accrue on accumulated dividends not paid on any Dividend Payment Date at the applicable dividend rate. Dividends on the Preference Shares will be payable based on a 360-day year consisting of twelve 30-day months.

If any Dividend Payment Date is not a Business Day, then the dividend which would otherwise have been payable on such Dividend Payment Date will be paid on the next succeeding Business Day, and no additional dividends or other sums will accrue on the amount so payable for the period from and after such Dividend Payment Date to that next succeeding Business Day.

“Business Day” means any day on which the NYSE is open for trading and which is not a Saturday, a Sunday or other day on which banks in New York City or Bermuda are authorized or required by law to close.

*Payment of Dividends*

On each Dividend Payment Date, we will pay those dividends, if any, on the Preference Shares of each series that have been declared by our board of directors to the holders of such shares as such holders’ names appear on our stock transfer books maintained by the Registrar and Transfer Agent on the applicable Record Date. The applicable record date (or Record Date) will be the close of business, New York City time, on the fifth Business Day immediately preceding the applicable Dividend Payment Date, except that in the case of payments of dividends in arrears, the Record Date with respect to a Dividend Payment Date will be such date and time as may be designated by our board of directors.

No dividend may be declared or paid or set apart for payment on any Junior Securities (other than a dividend payable solely in shares of Junior Securities) unless full cumulative dividends have been or contemporaneously are being paid or provided for on all outstanding Preference Shares and any Parity Securities through the most recent respective dividend payment dates. Accumulated dividends in arrears for any past dividend period for any series of Preference Shares may be declared by our board of directors and paid on any date fixed by our board of directors, whether or not a Dividend Payment Date, to holders of the Preference Shares of such series on the record date for such payment, which may not be more than 60 days, nor less than 15 days, before such payment date. Subject to the next succeeding sentence, if all accumulated dividends in arrears on all outstanding Preference Shares and any Parity Securities have not been declared and paid, or sufficient funds for the payment thereof have not been set apart, payment of accumulated dividends in arrears will be made in order of their respective dividend payment dates, commencing with the earliest. If less than all dividends payable with respect to all Preference Shares and any Parity Securities are paid, any partial payment will be made pro rata with respect to the Preference Shares of each series and any Parity Securities entitled to a dividend payment at such time in proportion to the aggregate amounts remaining due in respect of such shares at such time. Holders of the Preference Shares will not be entitled to any dividend, whether payable in cash, property or stock, in excess of full cumulative dividends. Except insofar as dividends accrue on the amount of any accumulated and unpaid dividends as described under "-Dividends-Dividend Rate" with respect to the Series A Preference Shares and the Series B Preference Shares, no interest or sum of money in lieu of interest will be payable in respect of any dividend payment which may be in arrears on the Preference Shares.

*Change of Control*

*Optional Redemption Upon a Change of Control Triggering Event*

Upon the occurrence of a Change of Control Triggering Event (as defined below), we may, at our option, redeem the Preference Shares of any series in whole or in part within 120 days after the first date on which such Change of Control Triggering Event occurred (the "Change of Control Redemption Period"), by paying the liquidation preference of $25.00 per Preference Share of each such series, plus all accumulated and unpaid dividends on each such series of Preference Shares to, but not including, the redemption date, whether or not declared. If, prior to the Change of Control Conversion Date (as defined below), we exercise our right to redeem the Preference Shares of any series as described in the immediately preceding sentence or as described below under "-Redemption," holders of the Preference Shares of such series we have elected to redeem will not have the conversion right described below under "-Conversion Right Upon a Change of Control Triggering Event." Any cash payment to holders of Preference Shares of any series will be subject to the limitations contained in any agreements governing our indebtedness.

"Change of Control" means the occurrence of either of the following after the original issue date of the Preference Shares of each series:

- the direct or indirect lease, sale, transfer, conveyance or other disposition (other than by way of merger, consolidation or business combination), in one or a series of related transactions, of all or substantially all of the properties or assets of us and our subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d)(3) of the Exchange Act); or
- the consummation of any transaction (including, without limitation, any merger, consolidation or business combination), the result of which is that any person (as defined above), becomes the beneficial owner, directly or indirectly, of more than 50% of the voting interests of us, measured by voting power rather than percentage of interests.

"Change of Control Triggering Event" means, with respect to each series of Preference Shares, the occurrence of a Change of Control that is accompanied or followed by either a downgrade by one or more gradations (including both gradations within ratings categories and between ratings categories) or a withdrawal of the rating of such series of Preference Shares within the Ratings Decline Period (in any combination) by the Named Rating Agency (as defined below) then rating such series of Preference Shares, as a result of which the rating of such series of Preference Shares on any day during the Ratings Decline Period is withdrawn or is below the rating by such Named Rating Agency in effect immediately preceding the first public announcement of the Change of Control (or occurrence thereof if such Change of Control occurs prior to public announcement).

“Named Rating Agency” means with respect to each series of Preference Shares:

1. S&P; and
2. if S&P ceases to rate such series of Preference Shares or fails to rate such series of Preference Shares, as the case may be, for reasons outside of our control, a “nationally recognized statistical rating organization” as defined in Section 3(a)(62) under the Exchange Act selected by us as a replacement agency for S&P.

“Ratings Decline Period” means the period that (i) begins on the occurrence of a Change of Control and (ii) ends 60 days following consummation of such Change of Control.

“S&P” means S&P Global Ratings, a division of S&P Global Inc.

*Conversion Right Upon a Change of Control Triggering Event*

Upon the occurrence of a Change of Control Triggering Event, each holder of Preference Shares of each series will have the right (unless we have provided notice of our election to redeem Preference Shares of such series as described above under “-Optional Redemption upon a Change of Control Triggering Event” or below under “-Redemption”) to convert some or all of the Preference Shares of such series held by such holder on the Change of Control Conversion Date into a number of our common shares per Preference Share of such series to be converted equal (the “Common Share Conversion Consideration”) to the lesser of:

- the quotient obtained by dividing (i) the sum of the $25.00 liquidation preference plus the amount of any accumulated and unpaid dividends on such series of Preference Shares to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a record date for the Preference Share dividend payment and prior to the corresponding Preference Share dividend payment date, in which case no additional amount for such accumulated and unpaid dividend will be included in this sum) by (ii) the Common Share Price (as defined below), and
- (i) 1.53657 in the case of the Series A Preference Shares, (ii) 1.58178 in the case of the Series B Preference Shares, (iii) 1.35685 in the case of the Series C Preference Shares, (iv) 1.26968 in the case of the Series D Preference Shares,, subject, in each case, to certain adjustments and to provisions for (i) the payment of any Alternative Conversion Consideration (as defined below) and (ii) splits, combinations and dividends in the form of equity issuances.

In the case of a Change of Control pursuant to which our common shares will be converted into cash, securities or other property or assets (including any combination thereof), a holder of Preference Shares of any series electing to exercise its Change of Control Conversion Right (as defined below) will receive upon conversion of such Preference Shares elected by such holder the kind and amount of such consideration that such holder would have owned or been entitled to receive upon the Change of Control had such holder held a number of our common shares equal to the Common Share Conversion Consideration for such Preference Shares immediately prior to the effective time of the Change of Control, which we refer to as the “Alternative Conversion Consideration”; *provided*, *however*, that if the holders of our common shares have the opportunity to elect the form of consideration to be received in the Change of Control, the consideration that the holders of Preference Shares of any series electing to exercise their Change of Control Conversion Right will receive will be the form and proportion of the aggregate consideration elected by the holders of our common shares who participate in the determination (based on the weighted average of elections) and will be subject to any limitations to which all holders of our common shares are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in the Change of Control. We will not issue fractional common shares upon the conversion of the Preference Shares of any series. Instead, we will pay the cash value of such fractional shares.

If we provide a redemption notice, whether pursuant to our special optional redemption right in connection with a Change of Control Triggering Event as described under "-Optional Redemption upon a Change of Control Triggering Event" or our optional redemption rights as described below under "-Redemption," holders of Preference Shares of any series will not have any right to convert the Preference Shares of such series that we have elected to redeem and any Preference Shares of such series subsequently selected for redemption that have been tendered for conversion pursuant to the Change of Control Conversion Right will be redeemed on the related redemption date instead of converted on the Change of Control Conversion Date.

Within five days following the expiration of the Change of Control Redemption Period (or, if we waive our right to redeem the Preference Shares of any series prior to the expiration of the Change of Control Redemption Period, within five days following the date of such waiver), we will provide to the holders of the Preference Shares of each series written notice of the occurrence of the Change of Control Triggering Event that describes the resulting Change of Control Conversion Right. This notice will state the following:

- the events constituting the Change of Control Triggering Event;
- the date of the Change of Control Triggering Event;
- the date on which the Change of Control Redemption Period expired or was waived;
- the last date on which the holders of Preference Shares may exercise their Change of Control Conversion Right;
- the method and period for calculating the Common Share Price;
- the Change of Control Conversion Date;
- if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per Preference Share of each series; and
- the procedure that the holders of Preference Shares must follow to exercise the Change of Control Conversion Right.

We will issue a press release for publication through a news or press organization as is reasonably expected to broadly disseminate the relevant information to the public, or post notice on our website, in any event prior to the opening of business on the first Business Day following any date on which we provide the notice described above to the holders of the Preference Shares.

Holders of Preference Shares that choose to exercise their Change of Control Conversion Right will be required prior to the close of business on the third Business Day preceding the Change of Control Conversion Date, to notify us of the number of Preference Shares to be converted and otherwise to comply with any applicable procedures contained in the notice described above or otherwise required by the Securities Depositary for effecting the conversion.

"***Change of Control Conversion Right***" means the right of a holder of Preference Shares of any series to convert some or all of the Preference Shares of such series held by such holder on the Change of Control Conversion Date into a number of our common shares per Preference Share of such series pursuant to the conversion provisions in the Certificate of Designation with respect to such series of Preference Shares.

"***Change of Control Conversion Date***" means the date fixed by the board of directors, in its sole discretion, as the date the Preference Shares are to be converted, which will be a Business Day that is no fewer than 20 days nor more than 35 days after the date on which we provide the notice described above to holders of the Preference Shares.

“***Common Share Price***” means (i) the amount of cash consideration per common share, if the consideration to be received in the Change of Control by the holders of our common shares is solely cash; and (ii) the average of the closing prices for our common shares on the NYSE for the ten consecutive trading days immediately preceding, but not including, the Change of Control Conversion Date, if the consideration to be received in the Change of Control by the holders of our common shares is other than solely cash.

Notwithstanding the foregoing, the holders of Preference Shares of each series will not have a conversion right upon a Change of Control if (i) the acquiror has shares listed or quoted on the NYSE, the NYSE American or NASDAQ or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE American or NASDAQ, and (ii) the Preference Shares of such series remain continuously listed or quoted on the NYSE, the NYSE American or NASDAQ or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE American or NASDAQ.

*Redemption*

*Optional Redemption*

Commencing on (i) March 15, 2024 in the case of the Series A Preference Shares, (i) September 15, 2024 in the case of the Series B Preference Shares, (iii) December 15, 2024 in the case of the Series C Preference Shares and (iv) March 15, 2025 in the case of the Series D Preference Shares, we may redeem, at our option, in whole or in part, the Preference Shares of any series at a redemption price in cash equal to $25.00 per share plus an amount equal to all accumulated and unpaid dividends thereon to, but not including, the date of redemption, whether or not declared. Any such optional redemption shall be effected only out of funds legally available for such purpose. We may undertake multiple partial redemptions.

We may also redeem the Preference Shares of any series under the terms set forth under “-Change of Control-Optional Redemption Upon a Change of Control Triggering Event.”

*Redemption Procedures*

We will give notice of any redemption by mail, postage prepaid, not less than 30 days and not more than 60 days before the scheduled date of redemption, to the holders of any shares to be redeemed as such holders’ names appear on our stock transfer books maintained by the Registrar and Transfer Agent at the address of such holders shown therein. Such notice shall state: (1) the redemption date, (2) the number of Preference Shares of the applicable series to be redeemed and, if less than all outstanding Preference Shares of the applicable series are to be redeemed, the number (and the identification) of shares to be redeemed from such holder, (3) the redemption price, (4) the place where the Preference Shares of the applicable series are to be redeemed and shall be presented and surrendered for payment of the redemption price therefor and (5) that dividends on the shares to be redeemed will cease to accumulate from and after such redemption date.

If fewer than all of the outstanding Preference Shares of any series are to be redeemed, the number of shares to be redeemed will be determined by us, and such shares will be redeemed by such method of selection as the Securities Depository shall determine, pro rata or by lot, with adjustments to avoid redemption of fractional shares. So long as all Preference Shares of any series are held of record by the nominee of the Securities Depository, we will give notice, or cause notice to be given, to the Securities Depository of the number of Preference Shares of such series to be redeemed, and the Securities Depository will determine the number of Preference Shares of such series to be redeemed from the account of each of its participants holding such shares in its participant account. Thereafter, each participant will select the number of shares to be redeemed from each beneficial owner for whom it acts (including the participant, to the extent it holds Preference

Shares of such series for its own account). A participant may determine to redeem Preference Shares of the applicable series from some beneficial owners (including the participant itself) without redeeming Preference Shares of such series from the accounts of other beneficial owners.

If we give or cause to be given a notice of redemption for any series of Preference Shares, then we will deposit with the Paying Agent funds sufficient to redeem the Preference Shares of such series as to which notice has been given by the close of business, New York City time, no later than the Business Day immediately preceding the date fixed for redemption, and will give the Paying Agent irrevocable instructions and authority to, pay the redemption price to the holder or holders thereof upon surrender or deemed surrender (which will occur automatically if the certificate representing such shares is issued in the name of the Securities Depository or its nominee) of the certificates therefor. If notice of redemption shall have been given, unless we default in providing funds sufficient for such redemption at the time and place specified for payment pursuant to the notice, all dividends on such shares will cease to accumulate and all rights of holders of such shares as our shareholders will cease, except the right to receive the redemption price, including an amount equal to accumulated and unpaid dividends through the date fixed for redemption, whether or not declared. We will be entitled to receive from the Paying Agent the interest income, if any, earned on such funds deposited with the Paying Agent (to the extent that such interest income is not required to pay the redemption price of the shares to be redeemed), and the holders of any shares so redeemed will have no claim to any such interest income. Any funds deposited with the Paying Agent hereunder by us for any reason, including, but not limited to, redemption of Preference Shares of any series, that remain unclaimed or unpaid after two years after the applicable redemption date or other payment date, shall be, to the extent permitted by law, repaid to us upon our written request, after which repayment the holders of the applicable Preference Shares entitled to such redemption or other payment shall have recourse only to us.

If only a portion of the Preference Shares of any series represented by a certificate has been called for redemption, upon surrender of the certificate to the Paying Agent (which will occur automatically if the certificate representing such shares is registered in the name of the Securities Depository or its nominee), the Paying Agent will issue to the holder of such shares a new certificate (or adjust the applicable book-entry account) representing the number of Preference Shares of such series represented by the surrendered certificate that have not been called for redemption.

Notwithstanding any notice of redemption, there will be no redemption of any Preference Shares called for redemption until funds sufficient to pay the full redemption price of such shares, including all accumulated and unpaid dividends to the date of redemption, whether or not declared, have been deposited by us with the Paying Agent.

We and our affiliates may from time to time purchase the Preference Shares of any series, subject to compliance with all applicable securities and other laws. Any shares repurchased and cancelled by us will revert to the status of authorized but unissued preference shares, undesignated as to series.

Notwithstanding the foregoing, in the event that any dividends on the Preference Shares of any series and any Parity Securities are in arrears, we may not repurchase, redeem or otherwise acquire, in whole or in part, any Preference Shares or Parity Securities except pursuant to a purchase or exchange offer made on the same terms to all holders of Preference Shares and any Parity Securities. Common shares and any other Junior Securities may not be redeemed, repurchased or otherwise acquired unless there are no dividends on the Preference Shares of each series and any Parity Securities in arrears.

*No Sinking Fund*

The Preference Shares do not have the benefit of any sinking fund.

**Exhibit 10.6**

# CONSULTANT AGREEMENT

This CONSULTANT AGREEMENT ("Agreement") is effective as of January 1, 2020 between TRITON CONTAINER INTERNATIONAL, INCORPORATED OF NORTH AMERICA, a company organized under the laws of California with an office located at 100 Manhattanville Road, Purchase, New York 10577, U.S.A. ("Triton"), and Marc Pearlin, residing at [REDACTED] ("Contractor").

## RECITALS

WHEREAS, Triton desires that Contractor provide certain services to Triton as is set forth in the Statements of Work attached hereto in accordance with the terms and conditions set forth in this Agreement; and

WHEREAS, Contractor is willing and able to provide such services to Triton in accordance with the terms and conditions set forth in this Agreement.

In consideration of the representations and mutual covenants set forth below, Triton and Contractor agree as follows:

## ARTICLE I. TERMS AND AGREEMENT

1.1 Work To Be Performed and Services To Be Rendered.

(a) Contractor agrees to perform the work and render the services to be described in the Statements of Work attached hereto.

(b) The services shall be performed at Triton's offices, and/or at such other premises as may be designated by Triton from time to time. All materials and products developed as the result of the work performed under this Agreement are the sole and exclusive property of Triton. Contractor agrees that such materials and products shall not be distributed to any other individual or entity. Contractor shall take all necessary and appropriate measures to ensure that Contractor abides by the terms of this section.

(c) The services to be rendered hereunder shall be performed only by Contractor and Contractor shall not substitute another individual to perform the services. Contractor may not assign this Agreement and such services may not be subcontracted or otherwise performed by third parties on behalf of Contractor without the prior written consent of Triton.

1.2 Term.

a. The Statement of Work shall set forth the Term. This Agreement may be terminated at any time by mutual agreement or by Contractor with or without cause, by giving thirty (30) days' prior written notice. In the event that Triton should deem Contractor's performance to be unsatisfactory, Triton shall so notify Contractor, and the parties shall discuss the Contractor's performance. If the Contractor's performance does not improve, Triton may terminate this Agreement upon thirty (30) days prior written notice to Contractor. Upon the termination of this Agreement, or its expiration, Contractor forthwith shall return to Triton all papers, materials and other properties of Triton held by Contractor in connection with the performance of this Agreement. If the parties terminate this Agreement for any reason, Contractor shall only be entitled to compensation for performing the services up to the date of written notification of termination.

b. Termination or expiration of this Agreement for any reason shall not release either party from any liabilities or obligations set forth in this Agreement which (i) the parties have expressly agreed shall survive any such termination or expiration, or (ii) remain to be performed or by their nature would be intended to be applicable following any such termination or expiration.

**ARTICLE II. RELATIONSHIP OF THE PARTIES**

2.1 Independent Contractor. The parties acknowledge that Contractor is an independent contractor and not an employee of Triton. Contractor shall be solely responsible for making all tax payments relating to compensation received as a result of Contractor's relationship with Triton and shall defend, indemnify and hold Triton harmless from any and all tax liability relating thereto.

The parties shall not make any commitments or incur any charges or expenses for or in the name of one another and shall, to the greatest extent possible, perform this Agreement in a manner consistent with Contractor's status as an independent contractor.

2.2 Fees and Payment. As compensation for the performance of the services to be performed hereunder, Triton shall pay Contractor as set forth on the Statement of Work. Contractor will submit invoices to Triton on a monthly basis. Triton will pay to Contractor within thirty (30) days of the date of receipt of the invoice any amounts owing to Contractor.

2.3 Expenses. Triton shall reimburse Contractor for reasonable travel or other expenses incurred in connection with the performance of Contractor's duties hereunder as set forth on the Statement of Work, if such expenses have been approved in advance by Triton.

2.4 Quality of Services. Contractor warrants that Contractor will use reasonable efforts to perform the services hereunder and that such services will be performed in a professional manner.

2.5 Ability to Perform.

a. Contractor represents to Triton that Contractor's other contractual commitments do not prevent or restrict Contractor from fully performing the services to be provided under this Agreement. Contractor is responsible for obtaining any required visas or other governmental approvals necessary to perform the services set forth in this Agreement and all Statements of Work.

b. This Agreement does not grant to Contractor an exclusive right to provide Triton any and all of the services described in any Statement of Work, and shall not prevent Triton from acquiring other services similar to such services or using its own employees or employees of others to perform the work performed by the Contractor.

**ARTICLE III. CONFIDENTIALITY AND PROPRIETARY RIGHTS**

3.1 Confidentiality. All of Triton's proprietary information and materials existing prior to the performance of services hereunder are the property of Triton and shall remain exclusively owned by Triton. For purposes of this section only, the term Triton shall include Triton International Limited and its related companies. Notwithstanding the foregoing, Contractor and Triton acknowledge that from time to time certain confidential and/or proprietary information may be communicated to Contractor to enable effective performance of the services described in the Statement of Work. Contractor shall treat all such information as confidential, whether or not so identified, and shall not disclose any part thereof without prior written consent of Triton. Contractor shall use such information solely to the extent necessary to perform the services described in the Statement of Work. The foregoing obligation of this paragraph, however, shall not apply to any part of the information that (i) has been disclosed in publicly available sources of information, (ii) is, through no fault of Contractor, hereafter disclosed in publicly available sources of information, (iii) is now in the possession of Contractor without any obligation of confidentiality, or (iv) has been or is hereafter rightfully disclosed to Contractor by a third party, but only to the extent that the use or disclosure thereof has been or is rightfully authorized by that third party.

3.2 Injunctive Relief. Contractor agrees that violation of any material respect of this Article and Section 2.6 herein would cause Triton irreparable injury for which it would have no adequate remedy at law and therefore, that upon any such breach or any threat thereof, Triton shall be entitled to seek appropriate equitable relief in addition to whatever remedies it might have at law. The provisions of this Article shall survive the term or termination of this Agreement for any reason.

3.3 Triton's Intellectual Property.

a. Contractor acknowledges Triton's ownership of, and full and exclusive rights in and to, any of Triton's trademarks, service marks, trade names, works protected by copyright, or other designations or property rights (the "Existing Intellectual Property"), which Contractor uses or produces in connection with its performance under this Agreement. Contractor agrees to use the Existing Intellectual Property only in the manner and form approved by Triton and agrees that all use of the Existing Intellectual Property will inure to the benefit of Triton. Nothing in this Agreement shall be construed or deemed to give Contractor any property, right or interest in any of the Existing Intellectual Property.

b. Triton shall retain all ownership rights it may have in all materials delivered to Contractor by or on behalf of Triton. Contractor shall use its reasonable efforts to protect such materials against any loss, theft, damage or destruction. Contractor shall return all originals and copies of such materials to Triton upon Triton's request, and in any event, immediately upon termination of this Agreement. After expiration or termination of this Agreement, Contractor will immediately cease all use of the Existing Intellectual Property, and shall not permit others to make any such use. For purposes of this section, the term Triton shall include Triton and its related companies.

## ARTICLES IV. WARRANTY AND INDEMNIFICATION

4.1 Compliance with Laws. Contractor warrants that it shall comply with all applicable laws, statutes, rules and regulations in connection with the performance of the services hereunder.

4.2 Code of Conduct. Contractor shall abide by the terms and conditions of Triton's Code of Conduct, which are incorporated herein by reference, and shall certify Contractor's compliance therewith upon request. Any violation of the Code of Conduct may be grounds for immediate termination of this Agreement.

4.3 Indemnification. Contractor shall keep, save, protect, defend, indemnify and hold Triton harmless from and against any and all costs, claims, expenses and damages incurred or sustained by Contractor arising from any tax liability of Contractor or any misrepresentation, breach, default or non-fulfillment of any agreement, representation or covenant set forth in this Agreement by Contractor.

## ARTICLE V. GENERAL PROVISIONS

5.1 Nondisclosure of Agreement. Except as may be required by applicable law or legal process, neither party shall disclose the terms and conditions of this Agreement without the prior written consent of the other, or use the other parties' name for any commercial purpose, except such disclosure may be made to each parties legal, accounting, financial and other advisors. It is understood and agreed that this Agreement may be filed with the Securities and Exchange Commission and its material terms may be disclosed in Triton International Limited's definitive proxy statement.

5.2 Binding Nature and Assignment. This Agreement shall be binding on the parties and their respective successors and assigns, but Contractor shall not have the power to assign this Agreement or any of its rights or obligations hereunder without the prior written consent of Triton.

5.3 Severability. Each provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law. If any provision or its application to any person, firm, company or circumstance shall to any extent be invalid or unenforceable, then such provisions shall be deemed to be replaced by the valid and enforceable provision most substantially similar thereto and the remainder of this Agreement and the application of such provision to other persons, firms, companies or circumstances shall not be affected.

5.4 Integration and Amendment. This Agreement and all attachments incorporated by reference supersede all other agreements regarding professional services between the parties and contain their entire understanding. No amendment to this Agreement shall be effective unless it is in writing and duly executed by authorized representatives of the parties.

5.5 Non-Waiver. The delay, failure or refusal of either party to enforce any provision of this Agreement shall not act or be construed as a waiver of the right to enforce any provision or enjoin a later breach of this Agreement.

5.6 Governing Law and Dispute Resolution. This Agreement shall be interpreted and enforced according to the laws of the State of New York, USA. Triton and Contractor hereby agree that any claim or controversy, directly or indirectly arising out of or relating to this Agreement shall be resolved by arbitration in New York under the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). The Procedures for Large, Complex Commercial Disputes shall not apply. The language of the arbitration shall be English. The arbitration shall be before a single arbitrator appointed by the parties to the dispute or, failing such agreement, each party shall appoint an arbitrator, and the two arbitrators so chosen shall select a third arbitrator as Chairperson. The sole arbitrator, or arbitration tribunal, shall be entitled to determine in its award which party shall bear the expenses of the arbitration or the proportion of such expenses which each party shall bear. The decision of the arbitrator(s) shall be final, binding, not subject to further review, and enforceable by any court, tribunal or other forum having jurisdiction. Except as may be required by law, neither a party nor an arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties.

5.7 Notices. Notices required by this Agreement shall be sent to the parties by registered or certified mail or courier service postage prepaid, addressed to the respondent at the address shown below or by email sent to the respondent's email address. If notice is by mail, notice will be complete seven days after such process has been mailed to the respondent. If notice is by email or courier service, notice will be complete when such process is actually received.

Triton Container International, Incorporated of North America
100 Manhattanville Road
Purchase, New York 10577-2135
Attn: Senior Vice President and General Counsel
Email: cheiss@trtn.com

Contractor :
[REDACTED]

IN WITNESS WHEREOF, the parties hereto have signed, or caused to be signed, this Agreement as of the date first written above.

**Marc Pearlin, Contractor**
___/s/Marc Pearlin__________________

Date: _January 14, 2020_______________

**Triton Container International, Incorporated of North America**
By: _/s/ Michael Limoncelli_________________

Title: _VP, Human Resources

Date: _January 10, 2020__________________

**STATEMENT OF WORK**
**TO**
**CONSULTANT AGREEMENT**
**BETWEEN**
**CONTRACTOR AND**
**TRITON CONTAINER INTERNATIONAL, INCORPORATED OF NORTH AMERICA**

Description of Responsibilities: To provide ongoing and expert advice in the areas of Contractor's former responsibilities as SVP, General Counsel & Secretary including such services as may be required to transition Contractor's former responsibilities to other individuals, be available to answer questions and inquiries that may arise, and special projects as may be assigned by the President/CEO or General Counsel. General direction will be provided by Carla Heiss, SVP, General Counsel & Secretary. The consultancy is a on a part time, not full time basis and it is expected Contractor shall be generally available during normal business hours. In no case shall the Contractor be required to work more than 37.5 hours per week on a regular basis unless mutually agreed to beforehand.

Compensation: US$29,166.67 per month, [payable in arrears, within thirty days of Triton's receipt of Contractor's invoice.]

Expenses: Triton shall reimburse Contractor for reasonable travel or other expenses incurred in connection with the performance of the duties described hereunder if approved in advance by Triton.

Term: January 1, 2020 through December 31, 2020

| | |
|---|---|
| **Marc Pearlin, Contractor** | **Triton Container International, Incorporated of North America** |
| ___/s/Marc Pearlin__________________ | By: _/s/ Michael Limoncelli_________________ |
| Date: _January 14, 2020_______________ | Title: _VP, Human Resources |
| | Date: _January 10, 2020__________________ |

**EXHIBIT 21.1**

**SUBSIDIARIES OF TRITON INTERNATIONAL LIMITED AS OF DECEMBER 31, 2019**

| **Name** | **Jurisdiction** |
|---|---|
| Triton Container International Limited | Bermuda |
| Triton Container International, Incorporated of North America | California |
| TFX Holdings LLC | California |
| MELeasing LLC | California |
| TAL International Group, Inc. | Delaware |
| TAL International Container Corporation | Delaware |
| TAL Advantage V LLC | Delaware |
| TAL Advantage VI LLC | Delaware |
| TAL Finance III LLC | Delaware |
| Triton International Finance LLC | Delaware |
| TIF Funding LLC | Delaware |
| Triton Container Finance VI LLC | Delaware |
| Triton Container Finance VII LLC | Delaware |
| Triton International Australia PTY Limited | Australia |
| Triton Container International B.V. B. A. | Belgium |
| Triton Container Sul Americana Transporte e Comercio Ltda. | Brazil |
| TAL Sales & Marketing Planning (Shanghai) Co., Limited* | China |
| Proteus, N.V.* | Curacao |
| Triton Container International GmbH | Germany |
| TAL International Container (HK) Limited* | Hong Kong |
| Triton Limited | Hong Kong |
| Tristar Container Services (Asia) Private Limited ** | India |
| TAL International Container SRL* | Italy |
| Triton International Japan Limited | Japan |
| Triton Container International B.V. | Netherlands |
| Triton Container (S) Pte Limited | Singapore |
| Triton Container South Africa Pty Limited* | South Africa |
| ICS Terminals (UK) Limited | United Kingdom |
| Triton Container UK Limited | United Kingdom |

* - In Liquidation
** - Joint Venture between Triton Container International Limited and Marine Container Services (India) Private Limited

**Exhibit 23.1**

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors

Triton International Limited:

We consent to the incorporation by reference in the registration statement (No. 333-213013) on Form S-8 of Triton International Limited of our reports dated February 14, 2020, with respect to the consolidated balance sheets of Triton International Limited as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes and financial statement Schedule I - Condensed Financial Information of Registrant and Schedule II - Valuation and Qualifying Accounts (collectively, the "consolidated financial statements"), and the effectiveness of internal control over financial reporting as of December 31, 2019, which reports appear in the December 31, 2019 annual report on Form 10-K of Triton International Limited.

/s/ KPMG LLP

New York, New York

February 14, 2020

**Exhibit 31.1**

**CERTIFICATION**

I, Brian M. Sondey, certify that:

1. I have reviewed this Annual Report on Form 10-K of Triton International Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15(d)-15(f) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2020

/s/ BRIAN M. SONDEY

Brian M. Sondey
*Chairman of the Board, Director and Chief Executive Officer*

**Exhibit 31.2**

**CERTIFICATION**

I, John Burns, certify that:

1. I have reviewed this Annual Report on Form 10-K of Triton International Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15(d)-15(f) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2020

/s/ JOHN BURNS

John Burns
*Chief Financial Officer*

**Exhibit 32.1**

**CERTIFICATION BY CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Triton International Limited (the "Company") on Form 10-K for the period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian M. Sondey, Chairman of the Board, Director and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 14, 2020

/s/ BRIAN M. SONDEY

Brian M. Sondey
*Chairman of the Board, Director and Chief Executive Officer*

**Exhibit 32.2**

**CERTIFICATION BY CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Triton International Limited (the “Company”) on Form 10-K for the period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John Burns, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 14, 2020

/s/ JOHN BURNS

John Burns
*Chief Financial Officer*